

but in either event the Tenant shall pay to the Port the full and proper charge for the use of water or for the availability of water from the distribution system now in use. It is provided, however, that the Port reserves the right to bring about the installation of City mains and refer the Tenant direct to the City of Portland for procurement of water at any time such City service becomes available and to then discontinue the present method of distribution.

7. Railroad Service and Trackage - Limitations: It is recognized by the parties hereto that at the inception of this agreement the Swan Island tract is being served by a common carrier railroad using existing trackage to the extent the said carrier deems the same to be useable.

The Port agrees that it will grant to such common carrier railroad a lease or easement to enable said carrier to serve the premises on Swan Island, but makes no representations or guarantee of the continuation of such service.

The Tenant is hereby granted the use of existing trackage upon the leased premises and the further right to use trackage connecting the premises with the existing lead or service track, to enable the carrier railroad to serve the Tenant, as set forth in Par. 3 above.

It is provided, however, that if any portion of the said connecting trackage becomes a service track to other premises, the Port reserves the right to itself, and/or to be granted by it to other Tenants, to use such connecting track for the purpose of the movement of rail traffic upon the same; such other use of the trackage being limited to the normal switching of cars at intervals and times as suits the convenience of the serving carrier and the Port will arrange for an equitable prorating of the maintenance of the trackage used in common. Trackage on the leased premises which does not form a part of the rail accommodation of other premises on Swan Island, shall be under the exclusive control of the Tenant in co-operation with the carrier.

It is further agreed that, notwithstanding any or all of the foregoing provisions concerning trackage that the Port reserves the right to change the connecting track between the leased premises and the lead track upon which the carrier operates in such manner as will suit the convenience of the Port and, in so doing, might deprive the Tenant of the existing facility of having cars enter directly into the building. In the latter case, it will be optional with the Tenant to accommodate operations to the revised alignment or to cancel the lease, if deprived of a satisfactory rail connection.

8. Ingress and Egress: It is recognized and agreed that, at the inception of this agreement, ingress and egress to premises on Swan Island is gained by utilization of paved areas upon the land, connecting with N. Going St. The Port agrees that the Tenant shall, in common with others to whom the Port shall grant similar rights, have the rights of ingress and egress over such paved areas, excluding areas which are assigned to the exclusive use of others; also that the Port will keep open and permit the Tenant the right of ingress and egress between the leased premises and N. Going Street, except that, if the Port shall dedicate public streets or roads upon Swan Island, ingress and egress shall be limited to the use of such dedicated roads or streets and that in no event will the Port deprive the Tenant of the rights of ingress and egress between the leased premises and such dedicated roads or streets.

9. Laws and Codes and Untenantability: It is agreed that the Tenant is familiar with the premises, the type and kind of structure and the condition thereof and enters upon occupancy (continued on next page)

under this agreement and accepts the premises as the same now exist. The Port makes no warranties in respect to the construction or the equipment conforming with the requirements of applicable laws and codes.

In the event the Tenant's use and occupancy of the premises shall be restricted or interfered with, or it shall be required by competent authority that alterations be made to the premises to conform with laws and codes, the Tenant shall forthwith, at Tenant's own cost and expense, and upon receiving written consent from the Port therefor, make such changes as shall be necessary to fulfill the requirements, except that it shall be optional with the Tenant to elect to not make such required changes and to give written notice to the Port to that effect. Upon receipt of such notice the Port may elect to itself make such required changes, but if the Port does not agree within 15 days to promptly effect such changes to conform the premises the Tenant may forthwith terminate this lease and surrender the premises to the Port. Thereupon the Tenant shall be relieved of all of the obligations devolving upon the Tenant hereunder except as to the payment of any accrued rental or taxes which have not been paid.

It is further agreed that if the premises shall become untenable for the uses and purposes for which the Tenant has negotiated for the right of occupancy, to-wit: the operation of a warehouse and workshop for handling, storing, fabricating and distributing products, by reason of Tenant's inability to secure common carrier rail service, sewer connections, potable water service, or electric power service, because of existing facilities being or becoming inadequate or unusable through governmental rulings, or other causes beyond the control of the Tenant, the Tenant may elect to surrender the premises and may cancel this lease agreement upon giving notice thereof to the Port and surrendering the premises in the manner set forth in the preceding paragraph.

10. Maintenance of Buildings: The Port agrees that within a reasonable time after notification from the Tenant of the need therefor it will make such necessary repairs as may be required to keep the roofs, exterior walls and foundations of the leased buildings in good condition.

11. Destruction or Damage of Premises: If the said premises be destroyed by fire, flood, explosion, or other casualty, this lease shall immediately terminate. In case of partial destruction or damage, which renders the premises untenable, either party may terminate the lease by giving written notice to the other within fifteen days thereafter, and if so terminated no rent shall accrue to the Port after such partial destruction or damage. In the event of partial damages which does not render the premises untenable, it shall be optional with the Port whether to repair same. If the Port elects not to repair such damage, the Tenant shall have the right to terminate this lease forthwith.

12. Expiration or Termination of Lease - Condition of Leased Premises:
Upon the expiration of the term of this lease or its earlier termination, under the terms hereof, the Tenant's obligation shall be to return the premises (and leased equipment) to the Port in the same condition that the premises were when received by the Tenant, ordinary wear and tear and damage by fire or other unavoidable casualty excepted.

13. Improvements on Leased Premises: Tenant shall have the right, without prior approval of the Port, to bring and install on the premises any and all equipment which it requires for the operation of its business and without limitation of the foregoing, Tenant shall have the right to cut into the floor of the premises for purposes of anchoring or installing machine tools and other equipment, and shall have the right to install electrical conduits and switch gears connecting machinery to other installations. All of said property so brought on and installed shall be and shall remain the property of the Tenant who may remove the same upon the termina-

tion of this lease or at any other time, provided only that upon such removal the Tenant shall restore the premises to the same condition as at the time of the original installation, ordinary wear and tear and damage by fire or other unavoidable casualty excepted.

X 14. Liability on Leased Premises: The Tenant agrees to hold the Port (including its officers, agents and employees) harmless from and against any and all liability, or claim of liability, which may be asserted against the Port on account of any injury or injuries (including death) occurring on the leased premises to any person or persons whomsoever, or any damage or loss occurring on the leased premises to property of any person or persons whomsoever (except property of the Port), howsoever caused, arising out of or in any way connected with, directly or indirectly, the use or occupancy of the premises by the Tenant; provided, however, that the Tenant shall not be required to hold the Port harmless from liability or claims of liability on account of any injury or injuries, including death, to persons, or any damage or loss to property, caused solely by negligence of the Port, its officers, agents or employees.

15. Default-Insolvency: If the Tenant fails to pay promptly when due the aforesaid rentals or fails to perform or comply with any of the provisions herein contained to be performed by the Tenant, and such default shall continue ten (10) days after the Port shall have made written demand for performance, or in the event of any assignment of Tenant's property for the benefit of creditors, filing of bankruptcy petition, or appointment of a receiver for Tenant's property, then the Port may immediately, or at any time thereafter while such default shall continue, re-enter said leased premises or any part thereof and expel Tenant and those claiming by or under Tenant and remove their effects, forcibly if necessary, without being guilty of trespass and without prejudice to any remedy otherwise applicable for arrears of rent or breach of agreement and upon such re-entry this lease shall terminate.

16. Assignment Restricted - Subletting: The Tenant shall have no right to make any voluntary assignment of this lease, except when, in any specific instance, the Port has given consent, in writing, signed by the duly authorized officers of the Port, for such assignment to be given.

Subject to the Tenant's continued responsibility and no default, the Tenant may sublet space in the building and on the rented premises for uses not creating any unusual hazard or damaging to the premises or the Swan Island property, provided any such subleases are approved by the Port in advance.

At the inception of this agreement the Port approves a proposed subletting of space in the said building to Concrete Forms, Inc., for the manufacturing of its products, pursuant to prior request by the Tenant.

IN WITNESS WHEREOF, the Tenant has signed this agreement for himself and the Port has caused this agreement to be signed by its duly authorized officers this 5th day of Oct., 1953.

(b) (6)

THE PORT OF PORTLAND

By

President

Attest:

J. Boyle
Assistant Secretary

Approved

M. J.
General Manager

APPROVED AS TO FORM

Ernest Wood
of Counsel for The Port of Portland

JOINT CONDITION SURVEY

July 20, 1953

(b) (6)

Building #56
Swan Island
Portland 18, Oregon

BUILDING #56

NO.	ITEM	DESCRIPTION	CONDITION (Good, fair, poor)
1	Lift, 5' x 8', Shop made, steel (inoperative)		Good
1	Airhoist, w/100' 3/8" steel cable		Appears in working condition
1	Tank, hot water, electric, asbestos covered, #H-030-110		Good
1	Jib-Boom, large, w/o hoist	#11-03-1	Good
1	Jib-boom, large, w/o hoist	#02-03-29	Good
5	Heating units, steam, w/fan, overhead		Good
1	Bridge crane, Whiting Co. mfg., 72' span 15 ton capacity, travelling bridge crane, AC motors and controls, w/ cab		Good
1	Air receiving tank, size 4'6" x 14'8", located outside west end of Building No. 56		Good
1	Cleaning tank, 48" x 48" x 50"		Good

BOILER ROOM - BLDG. #56

1	Oil burner, "Ray", Type AR-131, Ser. No. 102983	Good
1	Boiler, Fitzgibbons (no number or capacity listed)	Good

Acknowledgement is hereby made of the foregoing survey as listed above:

Signature

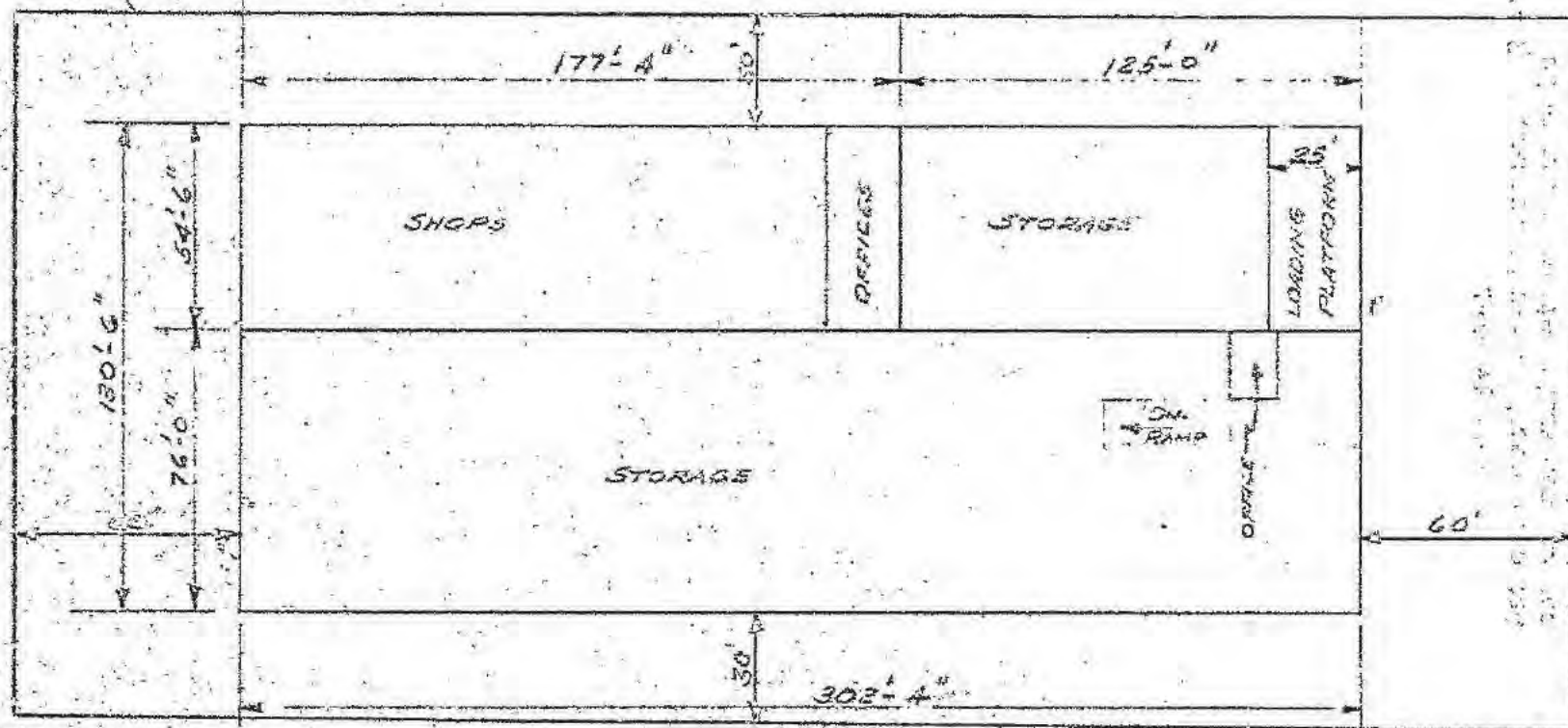
(b) (6)

Bldg. #56; Swan Island
Portland 18, Oregon

Signature

For The Port of Portland
Swan Island
Portland 18, Oregon

PSY100001451



FLOOR PLAN Block No. 56 39,455 Sq. Ft. ±

SCALE 1" = 50'-0"

Exhibit Plat

Lease to (b) (6) August, 1953 -
common user strip between outer walls
and red lines

APR. 15 1950

56

56

THIS AGREEMENT entered into this 19th day of November, 1957, by and between THE PORT OF PORTLAND, a municipal corporation of the State of Oregon (hereinafter called the "Port") and FOUGHT & COMPANY, INC., an Oregon Corporation, (hereinafter called the "Tenant").

WITNESSETH:

WHEREAS, a lease agreement was entered into between the Port and Fought & Gray, Inc., on November 30, 1951, by which the Port leased a certain structure known as Building No. 9, located on Assessor's Tax Lot 21 of Section 20, Township 1 North, Range 1 East of Willamette Meridian, and

WHEREAS, an agreement was also entered into between the Port and Fought & Company, Inc., on January 1, 1955, which agreement extended the term of the lease to December 31, 1957, and

WHEREAS, the Port and Tenant desire to extend said agreement for a further term,

NOW, THEREFORE, in consideration of the mutual covenants and of the benefits accruing respectively to each party hereto, the Port and the Tenant agree as follows, to wit:

1. Term of Lease: Paragraph 4 of said agreement of November 30, 1951, as amended January 1, 1955, is hereby revised and amended to read as follows, to wit:

This lease shall be effective beginning January 1, 1958, and shall continue for a term ending December 31, 1959, subject to the default clause, or other clauses herein providing for earlier termination for causes therein stated. It is agreed that the Tenant shall have the right to cancel this agreement upon giving ninety (90) day's notice in writing to the Port, and that the Port shall have the right to cancel this agreement upon giving one (1) year's notice in writing to the Tenant.

2. Rental and Taxes and Other Charges: Paragraph 5 of said agreement of November 30, 1951, as amended January 1, 1955, is hereby revised and amended to read as follows, to wit:

The Tenant shall pay to the Port rentals and charges for the land, building equipment, and facilities above specified as follows:

For Building No. 9 and its equipment and use of railroad track as herein stated, a rental of One Thousand Two Hundred Thirty-Six Dollars (\$1,236.00) per month during the term of this lease, said monthly rental to commence on January 1, 1958.

For water supplied and/or available, a flat charge per month or, at the option of the Port, a charge based upon meter readings, at rates applicable upon Swan Island. Rentals shall be paid monthly in advance and water charges as billed.

The Tenant shall, in addition to said rentals, pay all property taxes which are levied and become a lien upon the leased premises, and/or the equipment hereby leased, during the term of this agreement. In paying taxes during actual tenancy, the Tenant may elect to make payment of the total amount of the annual taxes direct to the Tax Collector for Multnomah County and gain the benefit of any discount that may be available by paying the full amount before the first delinquent date, or may pay to the Port the gross amount of taxes in quarterly installments not less than five (5) days in advance of the delinquent date applying to the respective quarters under the laws of Oregon governing the payment of property taxes, and, provided further, that the Tenant shall notify the Port of Tenant's election as to method of payment on or before June 1, in respect to the fiscal year beginning on the next subsequent July 1. Upon termination of tenancy, all unpaid taxes shall be forthwith paid in full by the Tenant.

3. Other than as amended hereby, said lease agreement shall remain in full force and effect.

IN WITNESS WHEREOF the Port has caused this agreement to be signed by its duly authorized officers this 19th day of November, 1957, and the Tenant has signed on his own behalf.

FOUGHT & COMPANY, INC.

By John H. Fought Pres.

By _____

THE PORT OF PORTLAND

APPROVED AS TO FORM
Lepton L. Patton
of Counsel for The Port of Portland

By Frank D. Darrow Jr.
President

Approved
L. B. Thompson
Properties Dept.

By John M. Smith
Assistant Secretary

THIS AGREEMENT made and entered into this 1st day of January, 1955, by and between FOUGHT & COMPANY, INC., hereinafter called the "Tenant", and THE PORT OF PORTLAND, a municipal corporation of the State of Oregon, hereinafter called the "Port",

WITNESSETH

WHEREAS, the Port and the Tenant, then doing business as Fought and Gray Inc., entered into an Agreement dated November 30, 1951, by which the Port leased a certain structure known as Building No. 9, located on Assessor's Tax Lot 21 of Section 20, Township 1 North, Range 1 East of Willamette Meridian in Portland, Oregon, to the tenant, and,

WHEREAS, it is mutually desired that the said agreement be extended for a further term, now, therefore; in consideration of the mutual benefits, the parties hereto agree as follows:

1. Paragraph 4 of said Agreement of November 30, 1951, is deleted as written and the following paragraph is substituted in lieu thereof:

This lease shall be effective beginning January 1, 1955, and shall continue for a term ending December 31, 1957, subject to the default clause, or other clauses, herein providing for earlier termination for causes therein stated. It is agreed that the Tenant shall have the right to cancel this Agreement upon giving ninety (90) days notice in writing to the Port, and that the Port shall have the right to cancel this Agreement upon giving one (1) year's notice in writing to the Tenant.

2. All of the conditions of said lease of November 30, 1951, other than the term, shall continue in effect.

IN WITNESS WHEREOF the parties have caused this agreement to be signed by their respective duly authorized officers.

Witness:

[Signature]

Attest:

L.A. Mees

FOUGHT & COMPANY, INC.

By

John H. Fought
pres.

THE PORT OF PORTLAND

By

Libb Williams
President

Approved

[Signature]
General Manager

APPROVED AS TO FORM

Erskine Wood
of Counsel for The Port of Portland

LEASE

THIS LEASE, dated January 1, 1982 ~~November 16, 1981~~, by and between THE PORT OF PORTLAND, a municipal corporation of the state of Oregon, hereinafter referred to as Port, and NORTHWEST MARINE IRON WORKS, a corporation organized under the laws of the state of Oregon, hereinafter referred to as Lessee,

W I T N E S S E T H:

ARTICLE I - PREMISES

Section 1.01 - Description: Port leases to Lessee, on the terms and conditions stated below, the premises consisting of Portland Ship Repair Yard Building 72, Bay 5 shop space consisting of approximately eight thousand four hundred (8,400) square feet.

Section 1.02 - Use of Premises: Lessee may use the premises only for the following purposes: ship repair, conversion and construction, with related shops and offices.

ARTICLE II - TERM

The term of this Lease shall commence on January 1, 1982 ~~November 16, 1981~~, and shall terminate December 31, 1986.

ARTICLE III - RENTAL

Section 3.01 - Land Rent: For the five (5) year period, Lessee shall pay the Port monthly rental equal to 30/100 Dollars (\$.30) per square foot or Two Thousand Five Hundred Twenty and No/100 Dollars (\$2,520.00).

Section 3.02 - Time and Place of Payments: Lessee shall pay Port monthly, on or before the tenth (10th) day of each calendar month.

Payment shall be to the Port at its offices in Portland, Oregon, or such other place as the Port may designate. All amounts not paid by Lessee when due shall bear interest at the prevailing Portland Ship Repair Yard tariff rates.

ARTICLE IV - LESSEE OBLIGATIONS

Section 4.01 - Maintenance: Lessee shall keep and maintain the leased premises and all improvements of any kind, which may be erected, installed or made thereon, in good and substantial repair and condition, including the exterior condition thereof, and shall make all necessary repairs and alterations thereto. Lessee shall provide proper containers for trash and garbage and shall keep the leased premises free and clear of rubbish, debris, and litter at all times. Port shall at all times during ordinary business hours have the right to enter upon and inspect such premises. Such inspections shall be made only at a mutually agreeable time.

Section 4.02 - Utilities: Lessee shall promptly pay any charges for sewer, water, gas, electricity, telephone, and all other charges for utilities which may be furnished to the leased premises at Lessee's order or consent.

Section 4.03 - Liens: Lessee agrees to pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies, utilities, furnishings, machinery or equipment which have been furnished or ordered with Lessee's consent to be furnished to or for the Lessee in, upon or about the premises herein leased, which may be secured by any mechanics', materialsmen's or other lien against the premises herein leased or Port's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, provided that the Lessee may in good faith contest any mechanics' or other liens filed or established, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest.

Section 4.04 - Taxes: Lessee agrees to pay all lawful taxes and assessments which during the term hereof or any extension may become a lien or which may be levied by the state, county, city, or any other tax levying body upon the premises or upon any taxable interest by Lessee acquired in this Lease or any taxable possessory right which Lessee may have in or to the premises or facilities hereby leased or

the improvements thereon by reason of its occupancy thereof as well as all taxes on all taxable property, real or personal, owned by Lessee in or about said premises. Upon making such payments, Lessee shall give to the Port a copy of the receipts and vouchers showing such payment. Upon any termination of tenancy, all taxes then levied or then a lien on any of said property or taxable interest therein shall be paid in full without proration by Lessee forthwith or as soon as a statement thereof has been issued by the tax collector.

ARTICLE V - INDEMNITY AND INSURANCE

Section 5.01 - Indemnity: Lessee agrees fully to indemnify, save harmless and defend the Port, its commissioners, officers and employees from and against all claims and actions and all expenses incidental to the investigation and defense thereof, based upon or arising out of damages or injuries to third persons or their property, caused by the fault or negligence ~~in whole or in part~~ of the Lessee, its subtenants or employees in the use or occupancy of the premises hereby leased; provided that the Port shall give to the Lessee prompt and reasonable notice of any such claims or actions, and the Lessee shall have the right to investigate, compromise and defend same, provided such claim is not the result of negligent act of the Port.

Section 5.02 - Insurance:

A. Lessee shall maintain comprehensive, general and automobile liability insurance for the protection of Lessee, directors, officers,

servants and employees, insuring Lessee against liability for damages because of personal injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the premises leased or occasioned by reason of the operations of the Lessee with insurance of not less than One Million and No/100 Dollars (\$1,000,000.00) combined single limit. Such insurance shall name the Port, its commissioners, officers, and employees as additional named insureds with the stipulation that this insurance, as to the interest of the Port only therein, shall not be invalidated by any act or neglect or breach of contract by the Lessee during the term of the Lease or any renewal thereof.

B. Lessee shall furnish to the Port a certificate as attached evidencing the date, amount and type of insurance that has been procured pursuant to this Lease. All policies of insurance will provide for not less than thirty (30) days written notice to the Port and the Lessee before such policies may be revised, nonrenewed or cancelled.

Section 5.03 - Waiver of Subrogation: The Port and Lessee agree that each forfeits any right of action that it may later acquire against the other of the parties to the Lease for loss or damage to its property, or to property in which it may have an interest, where such loss is caused by fire, or any of the extended coverage hazards, and arises out of or is connected with the leasing of the premises.

Section 5.04 - Damage or Destruction of Premises:

A. If the leased premises or any improvements thereon, that would revert to the Port per Article VII, are damaged or destroyed by fire or other casualty, Lessee (1) shall promptly repair, rebuild or restore the property damaged or destroyed to substantially the same condition preceding the fire or other casualty, and in accordance with the applicable building codes as existed at the time of loss causing such damage or destruction, and (2) shall apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional money of Lessee necessary therefor.

B. If such damage or destruction shall occur during the last three (3) years of the original term of this Lease or during the last year of any extended term thereof, and further if the damage or destruction which occurs during said three (3) year period or last year is such that the cost of repair, rebuilding or restoration of the leased property damaged or destroyed exceeds fifty percent (50%) of the fair market value of the Port-built improvements upon the leased premises immediately prior to such damage or destruction, Lessee shall have the option and shall, within sixty (60) days from the damage or destruction, notify Port in writing whether or not Lessee elects to repair, rebuild, restore in accordance with Paragraph A above or to terminate this Lease. Upon giving such notice to terminate, this Lease shall terminate on the date specified in the notice and Port shall be entitled to the net proceeds of insurance.

C. If the leased premises or any improvements thereon, that would revert to the Port under Article VII, are damaged or destroyed by fire or other casualty, and Lessee is engaged in the prompt repair, rebuilding or restoration of the property under Paragraph A above, then the building rent shall be abated in the same proportion as the damage makes the building uninhabitable for so long as it is unusable.

ARTICLE VI - DEFAULT

Section 6.01 - Events of Default:

A. Default in Rent: Failure of Lessee to pay any rent or other charge within ten (10) days after it is due.

B. Default in Other Covenants: Failure of Lessee to comply with any term or condition or fulfill any obligation of the Lease (other than the payment of rent or other charges) within thirty (30) days after written notice by Port specifying the nature of the default with reasonable particularity. If the default is of such a nature that it cannot be completely remedied within the thirty (30) day period, this provision shall be complied with if Lessee begins correction of the default within the thirty (30) day period and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable.

C. Insolvency: Insolvency of Lessee; an assignment by Lessee for the benefit of creditors; the filing by Lessee of a voluntary

petition in bankruptcy; an adjudication that Lessee is bankrupt or the appointment of a receiver of the properties of Lessee; the filing of an involuntary petition of bankruptcy and failure of the Lessee to secure a dismissal of the petition within thirty (30) days after filing; attachment of or the levying of execution on the leasehold interest and failure of the Lessee to secure discharge of the attachment or release of the levy of execution within ten (10) days.

D. Abandonment: Failure of the Lessee for fifteen (15) days or more to occupy the property for one (1) or more of the purposes permitted under this Lease unless such failure is excused under other provisions of this Lease.

Section 6.02 - Remedies on Default: In the event of a default, the Port at its option may terminate the Lease by notice in writing by certified mail to Lessee. If the property is abandoned by Lessee in connection with a default, termination shall be automatic and without notice.

A. Damages: In the event of termination on default, Port shall be entitled to recover immediately, without waiting until the due date of any future rent or until the date fixed for expiration of the Lease term, the following amounts as damages.

1. Any excess of (a) the value of all the Lessee's obligations under this Lease, including the obligation to pay rent, from the date of default until the end of the

term, over (b) the reasonable rental value of the property for the same period figured as of the date of default.

2. The reasonable costs of reentry and reletting including without limitation the cost of any cleanup, refurbishing, removal of Lessee's property and fixtures, or any other expense occasioned by Lessee's failure to quit the premises upon termination and to leave them in the required condition, attorney fees, court costs, broker commissions and advertising cost.
3. The loss of reasonable rental value from the date of default until a new tenant has been, or with the exercise of reasonable efforts could have been, secured.
4. In no event shall Lessee's duty to pay rent upon the property or improvements thereon continue for a period longer than twenty-four (24) months from the date of termination.

B. Reentry After Termination: If the Lease is terminated for any reason, Lessee's liability for damages shall survive such termination, and the rights and obligations of the parties shall be as follows:

1. Lessee shall vacate the property immediately, remove any property of Lessee including any fixtures which Lessee is required to remove at the end of the lease term, perform any cleanup, alterations or other work required to leave the property in the condition required at the end of the term, and deliver all keys to the Port.

2. Port may reenter, take possession of the premises and remove any persons or property, by legal action or by self-help with the use of reasonable force and without liability for damages.

C. Reletting: Following reentry or abandonment, Port may relet the premises and in that connection may:

1. Make any suitable alterations or refurbish the premises, or both, or change the character or use of the premises, but Port shall not be required to relet for any use or purpose (other than that specified in the Lease) which Port may reasonably consider injurious to the premises, or to any tenant which Port may reasonably consider objectionable.

2. Relet all or part of the premises, alone or in conjunction with other properties, for a term longer or shorter than the term of this Lease, upon any reasonable terms and conditions, including the granting of some rent-free occupancy or other rent concession.

ARTICLE VII - TERMINATION

Upon termination of the Lease for any reason, Lessee shall deliver all keys to the Port and surrender the leased premises in good condition. Alterations constructed by the Lessee with permission from the Port with the exception of the flooring slab shall be removed or restored to the original condition unless the terms of permission for the alteration so require. Depreciation and wear from ordinary use for the purpose for which the premises were let need not be restored, but all repair for which the Lessee is responsible shall be completed to the latest practical date prior to such surrender. The Lessee's obligations under this paragraph shall be subordinate to the provisions of Article V, Section 5.04, related to destruction.

ARTICLE VIII - GENERAL PROVISIONS

Section 8.01 - Assignment of Interest or Rights: Neither Lessee nor any assignee or other successor of Lessee shall in any manner, directly or indirectly, by operation of law or otherwise, sublease, assign, transfer or encumber any of Lessee's rights in and to this Lease or any interest therein, nor license or permit the use of the

rights herein granted in whole or in part without the prior written consent of the Port, which consent shall not be unreasonably withheld.

Lessee shall not assign all or any part of its rights and interests under this Lease to any successor to its business through merger, consolidation, or voluntary sale or transfer of substantially all of its assets, without prior written approval of the Port, which consent shall not be unreasonably withheld.

Section 8.02 - Condemnation: If the leased premises or any interest therein is taken as a result of the exercise of the right of eminent domain, this Lease shall terminate as to such portion as may be taken. If the portion taken does not feasibly permit the continuation of the operation of the facility by the Lessee, the Lessee shall have the right to cancel. Such cancellation shall be effective as of the date of taking. Port shall be entitled to that portion of the award as represented by the land and the improvements.

Section 8.03 - Nonwaiver: Waiver by either party of strict performance of any provision of this Lease shall not be a waiver of or prejudice the party's right to require strict performance of the same provision in the future or of any other provision.

Section 8.04 - Attorney Fees: If suit or action is instituted in connection with any controversy arising out of this Lease, the pre-

vailing party shall be entitled to recover in addition to costs such sum as the court may adjudge reasonable as attorney fees, or in the event of appeal as allowed by the appellate court.

Section 8.05 - Statutory Provisions: This Lease is subject to the provisions of Oregon Revised Statutes 279.312 through 279.320, inclusive, which by this reference are incorporated herein as fully as though set forth verbatim.

Section 8.06 - Time of Essence: It is mutually agreed that time is of the essence in the performance of all covenants and conditions to be kept and performed under the terms of this Lease.

Section 8.07 - Headings: The article and section headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provisions of this Lease.

Section 8.08 - Consent of Port: Whenever consent, approval or direction by the Port is required under the terms contained herein, all such consent, approval or direction shall be received in writing from the Executive Director of The Port of Portland.

Section 8.09 - Notices: All notices required under this Lease shall be deemed to be properly served if sent by certified mail to the last address previously furnished by the parties hereto. Until here-

after changed by the parties by notice in writing, notices shall be sent to the Port at The Port of Portland, Post Office Box 3529, Portland, Oregon 97208, and Northwest Marine Iron Works, P.O. Box 3109, Portland, OR 97208. Date of service of such notice is date such notice is deposited in a post office of the United States Post Office Department, postage prepaid.

Section 8.10 - Modification: Modification of the Lease as to term, area or any reason may result in renegotiation of the rental.

Section 8.11 - Fixtures:

A. All permanent improvements placed upon the leased premises prior to or during the term shall remain the property of the Lessee. Provided, however, that improvements made by special permit shall be subject to the conditions of such permit.

B. The Lessee shall remove any or all permanent improvements placed upon the premises by Lessee and shall repair any physical damage resulting from the removal except as modified by specific permit. If the Lessee fails to remove such permanent improvements, the Port may do so and charge the cost to the Lessee with interest at the prevailing Portland Ship Repair Yard tariff rates from the date of expenditure. The Lessee shall remove all furnishings, furniture and trade fixtures which remain the property of the Lessee. If the Lessee fails to do so, this shall be an abandonment of the property, and the

Port may retain the property and all rights of the Lessee with respect to it shall cease or, by notice in writing given to Lessee within twenty (20) days after removal was required, the Port may elect to hold the Lessee to his obligation of removal. If the Port elects to require the Lessee to remove, the Port may effect a removal and place the property in public storage for the Lessee's account. The Lessee shall be liable to the Port for the cost of removal, transportation to storage, and storage, with interest at the prevailing Portland Ship Repair Yard tariff rates on all such expenses from the date of expenditure by the Port.

C. The time for removal of any permanent improvements, trade fixtures or equipment which the Lessee is required to remove from the leased premises upon termination shall be as follows:

1. On or before the date the Lease terminates because of expiration of the original or a renewal term or because of default.
2. Within thirty (30) days after Lease expiration.

Section 8.12 - Pledge of Leasehold Interest: Lessee may from time to time pledge its leasehold interest subject to approval of

Port, and the Lessee shall provide notice forthwith of such intended pledging. The term of any such pledge and loan shall not run beyond the current lease term.

IN WITNESS WHEREOF, the parties hereto have subscribed their names.

NORTHWEST MARINE IRON WORKS

By W. J. Butler

By _____

THE PORT OF PORTLAND

By

John C. Caldwell
President

By

Herb A. Underwood
Assistant Secretary

APPROVED AS TO FORM

Counsel for Lessee

APPROVED AS TO FORM

Patty J. Crofoot
Counsel for
The Port of Portland

APPROVED BY COMMISSION ON

12-9-81

11/04/81
79L056:0368L

LEASE

THIS LEASE, dated May 4, 1981, by and between THE PORT OF PORTLAND, a municipal corporation of the state of Oregon, hereinafter referred to as Port, and NORTHWEST MARINE IRON WORKS, a corporation organized under the laws of the state of Oregon, hereinafter referred to as Lessee,

W I T N E S S E T H:

ARTICLE I - PREMISES

Section 1.01 - Description: Port leases to Lessee, on the terms and conditions stated below, the premises consisting of Bay 1 of surface preparation and paint building and approximately thirty-eight one-hundredths (0.38) acre described in Exhibit A, attached hereto and made a part hereof.

Section 1.02 - Use of Premises: Lessee may use the premises only for the following purposes: Surface preparation and painting.

Section 1.03 - Type and Installation of Equipment: Upon completion of construction, the Lessee agrees to install all internal surface preparation and painting equipment in said premise, of a type acceptable to the State of Oregon Department of Environmental Quality Standards.

ARTICLE II - TERM

Section 2.01 - Term: The term of this Lease shall commence on the date established in accordance with Exhibit B, and shall continue for a period of twenty (20) years.

Section 2.02 - Renewal Option: If the Lease is not then in default, Lessee shall have two (2) options to renew this Lease on the same terms and conditions except for the establishment of the land and building rental as herein provided. Options shall be for a period of three (3) years each and shall be exercised by notice in writing given to Port not less than ninety (90) nor more than one hundred eighty (180) days before the last day of the expiring term.

ARTICLE III - RENTAL

Section 3.01 - Land Rent: For the first five (5) year period, Lessee shall pay the Port annual rental equal to the sum of ten percent (10%) of One Hundred Thousand and No/100 Dollars (\$100,000.00) per acre of the land as shown on Exhibit A containing thirty-eight one-hundredths (0.38) acre. The initial land rent is Three Thousand Eight Hundred and No/100 Dollars (\$3,800.00) per year.

For each three (3) year period succeeding the first five (5) year period, the land rental shall be established pursuant to Section 3.02.

Section 3.02 - Establishment of Land Rent: During the fifth (5th) lease year and the third (3rd) lease year of any three (3) year

increment of this Lease or any extension thereof, the land rental shall be established for the ensuing three (3) lease years. Such adjustment shall be based on the fair market value of the land at the last day of the expiring initial five (5) year period or subsequent three (3) year periods.

In no event shall the valuation of land be less than One Hundred Thousand and No/100 Dollars (\$100,000.00) per acre throughout the term of this Lease or any extension thereof. The land rental rate of ten percent (10%) annually of the established land value shall remain constant throughout the term of the Lease or any extension thereof.

Section 3.03 - Building Rent: For the first five (5) year period, Lessee shall pay the Port annual rental equal to the sum computed by multiplying the improvement costs as determined under Exhibit B by one hundred seventeen thousand four hundred sixty one-millionths (0.117460).

For each three (3) year period succeeding the first five (5) year period, the building rental shall be established pursuant to Section 3.04.

Section 3.04 - Establishment of Building Rent: During the fifth (5th) lease year and the third (3rd) lease year of any three (3) year increment of this Lease or any extension thereof, the building rental shall be established for the ensuing three (3) lease years. Such ad-

justment shall be based on the comparable market rental of the building at the last day of the expiring initial five (5) year period or subsequent three (3) year periods.

In no event shall the building rent be less than that established in accordance with the first (1st) paragraph of Section 3.03 of Article III throughout the term of this Lease or any extension thereof.

Section 3.05 - Rental Adjustments: For the purpose of establishing land and building rents under Sections 3.02 and 3.04, the parties shall agree on the fair market value of the land and the comparable market rental of the building. In determining such future building rent, the parties shall consider the fact that the Port initially provided only a building shell with dirt floor and stubbed-in utilities and that all other improvements were made by Lessee. In the event the parties cannot agree, the parties shall mutually select an independent appraiser, the cost of which shall be shared equally between the parties. If the parties accept the opinion of the appraiser, such opinion shall be the fair market value for the purpose of establishing land rent and/or the comparable market rental of the building.

Section 3.06 - Arbitration: In the event the parties cannot accept the appraiser's opinion on the land value or comparable market rental of the building, the land value and rental value of the building for the ensuing period shall be determined by three (3) arbitrators. After notice by either party to the other party requesting ar-

bitration, one (1) arbitrator shall be appointed by each party. Notice of the appointment shall be given by each party to the other when made. The arbitrators shall immediately choose a third (3rd) arbitrator to act with them. If they fail to select a third (3rd) arbitrator, on application by either party, the third (3rd) arbitrator shall be promptly appointed by the presiding judge of the Circuit Court of the State of Oregon, County of Multnomah, acting in his individual capacity. Each party shall bear the expense of its own appointed arbitrator and shall bear all other expenses equally. The land value and comparable market rental of the building shall be the decision of not less than two (2) of the arbitrators. The land value and comparable market rental of the building determined by the arbitrators shall be effective and retroactive to the first (1st) day of the rental period under arbitration, which determination shall be binding upon the parties.

Section 3.07 - Time and Place of Payments: Lessee shall pay Port monthly, on or before the tenth (10th) day of each calendar month, one-twelfth (1/12) of the then prevailing annual rental.

Payment shall be to the Port at its offices in Portland, Oregon, or such other place as the Port may designate. All amounts not paid by Lessee when due shall bear interest at the rate of ten percent (10%) per annum.

ARTICLE IV - LESSEE OBLIGATIONS

Section 4.01 - Maintenance: Lessee shall keep and maintain the leased premises and all improvements of any kind, which may be erected, installed or made thereon, in good and substantial repair and condition, including the exterior condition thereof, and shall make all necessary repairs and alterations thereto. Lessee shall provide proper containers for trash and garbage and shall keep the leased premises free and clear of rubbish, debris, and litter at all times. Port shall at all times during ordinary business hours have the right to enter upon and inspect such premises. Such inspections shall be made only at a mutually agreeable time.

Section 4.02 - Utilities: Lessee shall promptly pay any charges for sewer, water, gas, electricity, telephone, and all other charges for utilities which may be furnished to the leased premises at Lessee's order or consent.

Section 4.03 - Liens: Lessee agrees to pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies, utilities, furnishings, machinery or equipment which have been furnished or ordered with Lessee's consent to be furnished to or for the Lessee in, upon or about the premises herein leased, which may be secured by any mechanics', materialsmen's or other lien against the premises herein leased or Port's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any

such lien matures or becomes due, provided that the Lessee may in good faith contest any mechanics' or other liens filed or established, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest.

Section 4.04 - Taxes: Lessee agrees to pay all lawful taxes and assessments which during the term hereof or any extension may become a lien or which may be levied by the state, county, city, or any other tax levying body upon the premises or upon any taxable interest by Lessee acquired in this Lease or any taxable possessory right which Lessee may have in or to the premises or facilities hereby leased or the improvements thereon by reason of its occupancy thereof as well as all taxes on all taxable property, real or personal, owned by Lessee in or about said premises. Upon making such payments, Lessee shall give to the Port a copy of the receipts and vouchers showing such payment. Upon any termination of tenancy, all taxes then levied or then a lien on any of said property or taxable interest therein shall be paid in full without proration by Lessee forthwith or as soon as a statement thereof has been issued by the tax collector.

ARTICLE V - INDEMNITY AND INSURANCE

Section 5.01 - Indemnity: Lessee agrees fully to indemnify, save harmless and defend the Port, its commissioners, officers and employees from and against all claims and actions and all expenses incidental to the investigation and defense thereof, based upon or arising out of damages or injuries to third persons or their property, caused

ult or negligence of the Lessee, its subtenants or employees
use or occupancy of the premises hereby leased; provided that
it shall give to the Lessee prompt and reasonable notice of any
claims or actions, and the Lessee shall have the right to inves-
te, compromise and defend same, provided such claim is not the
ult of negligent act of the Port.

Section 5.02 - Insurance:

A. Lessee shall keep the premises herein leased together with
any and all improvements placed thereon, that would revert to the Port
per Article VII, continuously insured with an insurance underwriter(s)
satisfactory to the Port and authorized to do business in Oregon
against loss or damage by fire and lightning, with the standard ex-
tended coverage endorsement in an amount equal to ninety percent (90%)
of the current replacement value of the property.

B. Lessee shall maintain comprehensive, general and automobile
liability insurance for the protection of Lessee, directors, officers,
servants and employees, insuring Lessee against liability for damages
because of personal injury, death, or damage to property, including
loss of use thereof, and occurring on or in any way related to the
premises leased or occasioned by reason of the operations of the
Lessee with insurance of not less than One Million and No/100 Dollars
(\$1,000,000.00) combined single limit. Such insurance shall name the
Port, its commissioners, officers, and employees as additional named
insureds with the stipulation that this insurance, as to the interest

of the Port only therein, shall not be invalidated by any act or neglect or breach of contract by the Lessee during the term of the Lease or any renewal thereof.

C. Lessee shall furnish to the Port a certificate as attached evidencing the date, amount and type of insurance that has been procured pursuant to this Lease. All policies of insurance will provide for not less than thirty (30) days written notice to the Port and the Lessee before such policies may be revised, nonrenewed or cancelled.

Section 5.03 - Waiver of Subrogation: The Port and Lessee agree that each forfeits any right of action that it may later acquire against the other of the parties to the Lease for loss or damage to its property, or to property in which it may have an interest, where such loss is caused by fire, or any of the extended coverage hazards, and arises out of or is connected with the leasing of the premises.

Section 5.04 - Damage or Destruction of Premises:

A. If the leased premises or any improvements thereon, that would revert to the Port per Article VII, are damaged or destroyed by fire or other casualty, Lessee (1) shall promptly repair, rebuild or restore the property damaged or destroyed to substantially the same condition preceding the fire or other casualty, and in accordance with the applicable building codes as existed at the time of loss causing such damage or destruction, and (2) shall apply for such purpose so

much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional money of Lessee necessary therefor.

B. If such damage or destruction shall occur during the last three (3) years of the original term of this Lease or during the last year of any extended term thereof, and further if the damage or destruction which occurs during said three (3) year period or last year is such that the cost of repair, rebuilding or restoration of the leased property damaged or destroyed exceeds fifty percent (50%) of the fair market value of the Port-built improvements upon the leased premises immediately prior to such damage or destruction, Lessee shall have the option and shall, within sixty (60) days from the damage or destruction, notify Port in writing whether or not Lessee elects to repair, rebuild, restore in accordance with Paragraph A above or to terminate this Lease. Upon giving such notice to terminate, this Lease shall terminate on the date specified in the notice and Port shall be entitled to the net proceeds of insurance.

C. If the leased premises or any improvements thereon, that would revert to the Port under Article VII, are damaged or destroyed by fire or other casualty, and Lessee is engaged in the prompt repair, rebuilding or restoration of the property under Paragraph A above, then the building rent shall be abated in the same proportion as the damage makes the building uninhabitable for so long as it is unusable.

ARTICLE VI - DEFAULT

Section 6.01 - Events of Default:

A. Default in Rent: Failure of Lessee to pay any rent or other charge within ten (10) days after it is due.

B. Default in Other Covenants: Failure of Lessee to comply with any term or condition or fulfill any obligation of the Lease (other than the payment of rent or other charges) within thirty (30) days after written notice by Port specifying the nature of the default with reasonable particularity. If the default is of such a nature that it cannot be completely remedied within the thirty (30) day period, this provision shall be complied with if Lessee begins correction of the default within the thirty (30) day period and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable.

C. Insolvency: Insolvency of Lessee; an assignment by Lessee for the benefit of creditors; the filing by Lessee of a voluntary petition in bankruptcy; an adjudication that Lessee is bankrupt or the appointment of a receiver of the properties of Lessee; the filing of an involuntary petition of bankruptcy and failure of the Lessee to secure a dismissal of the petition within thirty (30) days after filing; attachment of or the levying of execution on the leasehold interest and failure of the Lessee to secure discharge of the attachment or release of the levy of execution within ten (10) days.

D. Abandonment: Failure of the Lessee for fifteen (15) days or more to occupy the property for one (1) or more of the purposes permitted under this Lease unless such failure is excused under other provisions of this Lease.

Section 6.02 - Remedies on Default: In the event of a default, the Port at its option may terminate the Lease by notice in writing by certified mail to Lessee. If the property is abandoned by Lessee in connection with a default, termination shall be automatic and without notice.

A. Damages: In the event of termination on default, Port shall be entitled to recover immediately, without waiting until the due date of any future rent or until the date fixed for expiration of the Lease term, the following amounts as damages.

1. Any excess of (a) the value of all the Lessee's obligations under this Lease, including the obligation to pay rent, from the date of default until the end of the term, over (b) the reasonable rental value of the property for the same period figured as of the date of default.
2. The reasonable costs of reentry and reletting including without limitation the cost of any cleanup, refurbishing, removal of Lessee's property and fixtures, or any other expense occasioned by Lessee's failure to quit

the premises upon termination and to leave them in the required condition, attorney fees, court costs, broker commissions and advertising cost.

3. The loss of reasonable rental value from the date of default until a new tenant has been, or with the exercise of reasonable efforts could have been, secured.
4. In no event shall Lessee's duty to pay rent upon the property or improvements thereon continue for a period longer than twenty-four (24) months from the date of termination.

B. Reentry After Termination: If the Lease is terminated for any reason, Lessee's liability for damages shall survive such termination, and the rights and obligations of the parties shall be as follows:

1. Lessee shall vacate the property immediately, remove any property of Lessee including any fixtures which Lessee is required to remove at the end of the lease term, perform any cleanup, alterations or other work required to leave the property in the condition required at the end of the term, and deliver all keys to the Port.

2. Port may reenter, take possession of the premises and remove any persons or property by legal action or by self-help with the use of reasonable force and without liability for damages.

C. Reletting: Following reentry or abandonment, Port may relet the premises and in that connection may:

1. Make any suitable alterations or refurbish the premises, or both, or change the character or use of the premises, but Port shall not be required to relet for any use or purpose (other than that specified in the Lease) which Port may reasonably consider injurious to the premises, or to any tenant which Port may reasonably consider objectionable.
2. Relet all or part of the premises, alone or in conjunction with other properties, for a term longer or shorter than the term of this Lease, upon any reasonable terms and conditions, including the granting of some rent-free occupancy or other rent concession.

ARTICLE VII - TERMINATION

Upon termination of the Lease for any reason, Lessee shall deliver all keys to the Port and surrender the leased premises in good condition. Alterations constructed by the Lessee with permission from

the Port with the exception of the flooring slab shall be removed or restored to the original condition unless the terms of permission for the alteration so require. Depreciation and wear from ordinary use for the purpose for which the premises were let need not be restored, but all repair for which the Lessee is responsible shall be completed to the latest practical date prior to such surrender. The Lessee's obligations under this paragraph shall be subordinate to the provisions of Article V, Section 5.04, related to destruction.

ARTICLE VIII - GENERAL PROVISIONS

Section 8.01 - Assignment of Interest or Rights: Neither Lessee nor any assignee or other successor of Lessee shall in any manner, directly or indirectly, by operation of law or otherwise, sublease, assign, transfer or encumber any of Lessee's rights in and to this Lease or any interest therein, nor license or permit the use of the rights herein granted in whole or in part without the prior written consent of the Port, which consent shall not be unreasonably withheld.

Lessee shall not assign all or any part of its rights and interests under this Lease to any successor to its business through merger, consolidation, or voluntary sale or transfer of substantially all of its assets, without prior written approval of the Port, which consent shall not be unreasonably withheld.

Section 8.02 - Condemnation: If the leased premises or any interest therein is taken as a result of the exercise of the right of eminent domain, this Lease shall terminate as to such portion as may be taken. If the portion taken does not feasibly permit the continuation of the operation of the facility by the Lessee, the Lessee shall have the right to cancel. Such cancellation shall be effective as of the date of taking. Port shall be entitled to that portion of the award as represented by the land and the improvements.

Section 8.03 - Nonwaiver: Waiver by either party of strict performance of any provision of this Lease shall not be a waiver of or prejudice the party's right to require strict performance of the same provision in the future or of any other provision.

Section 8.04 - Attorney Fees: If suit or action is instituted in connection with any controversy arising out of this Lease, the prevailing party shall be entitled to recover in addition to costs such sum as the court may adjudge reasonable as attorney fees, or in the event of appeal as allowed by the appellate court.

Section 8.05 - Statutory Provisions: This Lease is subject to the provisions of Oregon Revised Statutes 279.312 through 279.320, inclusive, which by this reference are incorporated herein as fully as though set forth verbatim.

Section 8.06 - Time of Essence: It is mutually agreed that time is of the essence in the performance of all covenants and conditions to be kept and performed under the terms of this Lease.

Section 8.07 - Headings: The article and section headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provisions of this Lease.

Section 8.08 - Consent of Port: Whenever consent, approval or direction by the Port is required under the terms contained herein, all such consent, approval or direction shall be received in writing from the Executive Director of The Port of Portland.

Section 8.09 - Notices: All notices required under this Lease shall be deemed to be properly served if sent by certified mail to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the Port at The Port of Portland, Post Office Box 3529, Portland, Oregon 97208, and to the Lessee, ^{P.O. Box 3109, Portland, Ore. 97208} ~~1620 W. 16th Street, Long Beach, California 90813~~. Date of service of such notice is date such notice is deposited in a post office of the United States Post Office Department, postage prepaid.

Section 8.10 - Modification: Modification of the Lease as to term, area or any reason may result in renegotiation of the rental.

Section 8.11 - Fixtures:

A. All permanent improvements placed upon the leased premises prior to or during the term, except the floor slab, shall remain the property of the Lessee. Provided, however, that improvements made by special permit shall be subject to the conditions of such permit.

B. The Lessee shall remove any or all permanent improvements placed upon the premises by Lessee, except the floor slab, and shall repair any physical damage resulting from the removal except as modified by specific permit. If the Lessee fails to remove such permanent improvements, the Port may do so and charge the cost to the Lessee with interest at ten percent (10%) per annum from the date of expenditure. The Lessee shall remove all furnishings, furniture and trade fixtures which remain the property of the Lessee. If the Lessee fails to do so, this shall be an abandonment of the property, and the Port may retain the property and all rights of the Lessee with respect to it shall cease or, by notice in writing given to Lessee within twenty (20) days after removal was required, the Port may elect to hold the Lessee to his obligation of removal. If the Port elects to require the Lessee to remove, the Port may effect a removal and place the property in public storage for the Lessee's account. The Lessee shall be liable to the Port for the cost of removal, transportation to storage, and storage, with interest at ten percent (10%) per annum on all such expenses from the date of expenditure by the Port.

C. The time for removal of any permanent improvements, trade fixtures or equipment which the Lessee is required to remove from the leased premises upon termination shall be as follows:

1. On or before the date the Lease terminates because of expiration of the original or a renewal term or because of default.
2. Within thirty (30) days after Lease expiration.

Section 8.12 - Pledge of Leasehold Interest: Lessee may from time to time pledge its leasehold interest subject to approval of

EXHIBIT B

A. The Port having retained Rust Engineering to consult on plans, specifications and site layout with the mutual consent of the parties involved, having solicited competitive bids for construction, and having awarded a contract for construction to the responsive low bidder shall proceed with construction with the mutual consent of the parties involved, costs of which shall be borne by the Port.

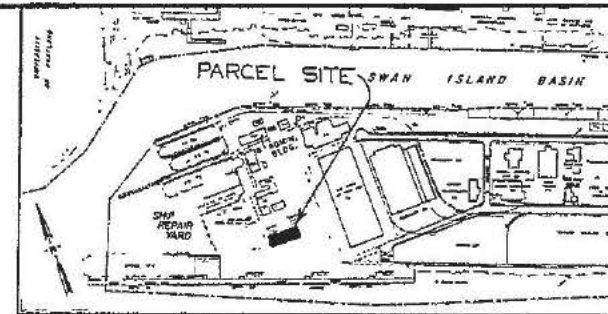
B. Upon the Port and Lessee agreeing that substantial completion of construction of the improvement has occurred in accordance with the plans and specifications, Lessee agrees to accept the building and take possession. The date of possession shall be the date on which the terms of this Lease begin with the exception of rent which shall begin ninety (90) days after possession or the date on which Lessee's equipment installation is complete, whichever occurs first.

C. On completion of construction the Port shall compute its improvement costs which shall be the basis for the rental computation in Section 3.03 of this Lease. Such improvement costs shall include:

1. Rust engineering and Port costs of development plans, specifications and site layout.

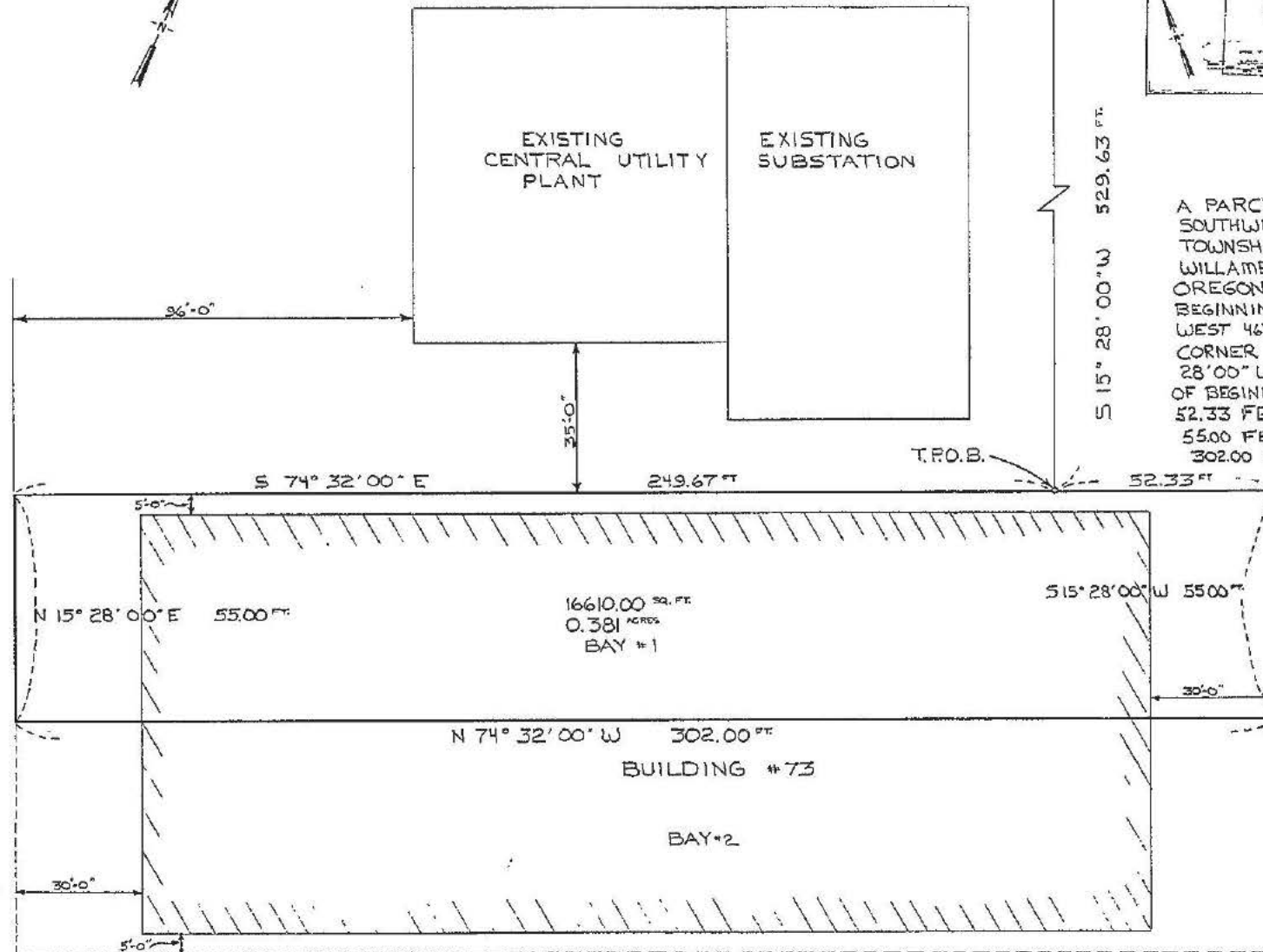
2. Port costs of bid solicitation.
3. Costs of construction and site improvements, including change orders.
4. Port engineering, administration and inspection costs directly attributable to the above.

R.O.B. - N 1290.00' W 4670.00'
FROM S.E. COR. SECTION 17,
T1N, R1E, W.M.



VICINITY MAP
NO SCALE

DESCRIPTION
A PARCEL OF LAND LOCATED IN THE
SOUTHWEST QUARTER OF SECTION 17,
TOWNSHIP 1 NORTH, RANGE 1 EAST,
WILLAMETTE MERIDIAN, MULTNOMAH COUNTY,
OREGON, DESCRIBED AS FOLLOWS:
BEGINNING AT A POINT NORTH 1290.00 FEET AND
WEST 4670.00 FEET FROM THE SOUTHEAST
CORNER OF SECTION 17; THENCE SOUTH 15°
28'00" WEST 529.63 FEET TO THE TRUE POINT
OF BEGINNING; THENCE SOUTH 74°32'00" EAST
52.33 FEET; THENCE SOUTH 15°28'00" WEST
55.00 FEET; THENCE NORTH 74°32'00" WEST
302.00 FEET; THENCE NORTH 15°28'00" EAST
55.00 FEET; THENCE SOUTH 74°32'
00" EAST 249.67 FEET TO THE
TRUE POINT OF BEGINNING,
CONTAINING 0.381 ACRES.



THIS DRAWING HAS BEEN REDUCED APPROXIMATELY ONE-HALF SCALE

NO	DATE	BY	REVISIONS	APP'D

REGISTERED
PROFESSIONAL
LAND SURVEYOR
Ronald L. Conwell
OREGON
DONALD L. CONWELL
924

DESIGNED BY D. CONWELL
DRAWN BY C. WILEY
CHECKED BY D. CONWELL
DATE AUG. 6, 1980
SCALE 1" = 20'

Robert H. Decker
PROJECT MANAGER



THE PORT OF PORTLAND
PORTLAND, OREGON
PORTLAND SHIP REPAIR YARD
EXHIBIT PLAT
BUILDING # 73
NORTHWEST MARINE IRON WORKS
SUBMITTED BY *R. J. Hillman*
DRAWING NO. YA 80-12

PSY100001495

MONTH-TO-MONTH

LEASE OF IMPROVED SPACE BETWEEN

THE PORT OF PORTLAND

AND

THE E. J. BARTELLS CO.

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MONTH-TO-MONTH
LEASE OF IMPROVED SPACE

THIS LEASE, dated this 28th day of December 198, 1991, is entered into by and between THE PORT OF PORTLAND, a port district of the State of Oregon (hereinafter referred to as "Port"), and THE E. J. BARTHELLS CO., a corporation organized under the laws of the State of Washington (hereinafter referred to as "Lessee"), for lease of certain described Premises located at the Portland Ship Repair Yard, Swan Island ("PSRY").

RECITALS

WHEREAS, the Port desires to lease certain land and/or improvements located at Portland Ship Repair Yard to Lessee, said land and/or improvements being more particularly described below; and

WHEREAS, Lessee is desirous of leasing said land and/or improvements;

NOW, THEREFORE, in consideration of the above declarations, the parties have negotiated the following terms and conditions:

ARTICLE I. - AGREEMENT TO LEASE, DESCRIPTION OF PREMISES

Section 1.1 - Agreement to Lease: The Port hereby leases to Lessee, and Lessee leases from the Port on the terms and conditions stated herein, the Premises consisting of 3800 square feet of shop space in Bay 6 of

Building 72 shown on Exhibit No. A, attached hereto and made a part hereof, and any existing Improvements thereon, and appurtenances thereto, (hereinafter referred to as "Premises"). Upon construction or installation of any Improvements, additions, or changes to Improvements in, under, or upon the Premises (collectively "Improvements"), such Improvement(s) shall become a part of the Premises unless otherwise stated herein.

Section 1.2 - Use of Premises:

1.2.1 Lessee may use the Premises only for the following purpose(s): Assembly and production of insulation jackets and storage of materials and supplies used in Lessee's insulation and refractories business. No sandblasting or spray painting shall be permitted on the Premises.

1.2.2 No other use may be made of the Premises without the written approval of the Port. Except as a necessary and incidental use in conjunction with the use authorized for the Premises pursuant to Section 1.2.1 above, without limiting the foregoing restriction on use, no use may be made of, on, or from the Premises relating to the handling, storage, disposal, transportation, or discharge of Hazardous Substances as defined in Section 6.3 hereof. Under no circumstances shall any use be made of, or conduct occur on, the Premises which would cause the Premises, or any part thereof, to be deemed a hazardous waste treatment, storage, or disposal facility requiring a permit, interim status, or any other special authorization under any Environmental Law as defined in Section 6.3 hereof.

1.2.3 The Port shall have the option, but shall not be required to, request the Lessee to provide the Port with a list of all materials and activities which are or foreseeable will occur on the Premises which might constitute an environmental liability. Under no circumstances shall the Port be liable for failure to request or update said list.

1.2.4 In no event shall Lessee store, handle, transport, dispose, or treat any Hazardous Substances on the Premise which are generated by or from cleanup, removal, remediation, operations or activities from third party sources outside PSRY.

1.2.5 In no event shall the Lessee ever permanently or temporarily store the following product categories without the Port's prior written approval, except as specifically authorized by federal, state, or local Environmental Law or regulation:

1. PCBs, PCB contaminated materials, and spill residues containing PCBs.
2. Asbestos, asbestos-contaminated materials, and spill residues containing asbestos.
3. Radioactive materials (as defined by state, federal, and local regulations including but not limited to United States Department of Transportation (US D.O.T.) classifications, and restrictions as defined in OAR Chapter 333, Division 100-005 (51) or as defined by Oregon Health Division.

4. Explosive materials and flammable solids (US D.O.T. Classification).
5. Poison Gasses (Poison A, US D.O.T. classification).
6. Reactive materials (Defined by RCRA characteristic or reactivity).
7. Medical, biological, or infectious waste.

1.2.6 Lessee shall at all times exercise due care in connection with the handling of Hazardous Substances on the Premises and shall not cause or permit Hazardous Substances to be spilled, leaked, disposed of, treated, or otherwise released on the Premises.

1.2.7 Before commencing the use, generation, accumulation, storage, treatment, or other handling of Hazardous Substances on the Premises, Lessee shall provide the Port with copies of all necessary permits, authorizations and notices required by any Environmental Law as described in Section 6.3 herein, with respect to such activities. Lessee shall at all times comply with all Environmental Laws as defined in Section 6.3 herein, applicable to the Premises or to the Lessee's activities on the Premises.

1.2.8 The Lessee shall not in any manner deface or injure the Premises or any portion thereof; or overload the floors; or permit anything to be done upon the Premises which would cause an increase in the Fire Insurance rating to the Building; or commit any nuisance in or about the Premises; or to use or permit the use of the Premises for lodging or sleeping purposes.

1.2.9 The Lessee shall not in any manner overload the Port-owned crane located within the Premises, or operate said crane in a manner inconsistent with its design or intended use.

Section 3.1 - Appurtenant Rights:

1.3.1 Lessee, its customers, agents, representatives, suppliers, and invitees and subcontractors authorized to be operating in the yard shall have the nonexclusive right to use the Common Areas, such right to be in common with others to whom the Port has granted or may grant such similar right. The term "Common Areas," as used herein, shall mean the roadways, pedestrian walkways, alleyways, driveways, delivery areas, trash removal areas, equipment and material storage areas, and any other areas where such areas have been designated by the Port as areas to be used by tenants of the Port or those having use agreements in common with other tenants and users of the Port.

1.3.2 The Port reserves the following rights with respect to the Common Areas:

1.3.2.1 To establish reasonable rules and regulations for the use of said Common Areas;

1.3.2.2 To use or permit the use of such Common Areas by others to whom the Port may grant or may have granted such rights in such manner as the Port may from time to time so grant;

1.3.2.3 To close all or any portion of the Common Areas to make repairs or changes, to prevent a dedication of the Common Areas or the accrual of any rights to any person or the public, or to discourage unpermitted use of the Common Areas;

1.3.2.4 To construct additional buildings to alter or remove buildings or other improvements in the Common Areas and to change the layout of such common Areas, including the right to add to or subtract from their shape and size;

1.3.2.5 To exercise any of the Port's governmental powers over the Common Areas.

ARTICLE II. - TERM

Section 2.1 - Term: This Lease shall commence on January 1, 1991, and continue month to month until terminated by either party upon thirty days' written notice or otherwise terminated under the provisions hereof.

ARTICLE III. - RENTAL

Section 3.1 - Basic Rent: The Lessee shall pay, in advance, to the Port as rent the sum of \$1,140.00 per month, in advance based upon the

following: 3800 square feet of shop space @ \$0.30 per square foot per month plus monthly utility charges as shown on Exhibit B.

Section 3.2 - Time and Place of Payments: Payments are due on the first day of each month and delinquent if not paid by the (10th) day of each month. In the event the Lease commences after the first day of a month, the Basic Rent for the first month shall be prorated based on the number of days in the first partial calendar month.

3.2.1 Payment shall be to the Port at The Port of Portland, Post Office Box 5095, Portland, Oregon 97208, or such other place as the Port may designate. All amounts not paid by the Lessee when due shall bear a delinquency charge at the rate of 18% per annum. The delinquency charge on overdue accounts is subject to periodic adjustment to reflect the Port's then current charge for overdue accounts.

Section 3.3 - Acceptance of Late Rent: The Port shall be entitled, at its sole and complete discretion, to either accept or reject a tender payment of Basic Rent or Additional Rent which is not paid when due. In the event the Port elects to accept a tender of payment of rent after the time when such payment was due, the Port may do so without thereby waiving any default based upon the failure of Lessee to make such payment when due and without waiving Lessee's continuing obligation to make such payments when required under the terms of this Lease. Lessee hereby acknowledges that this constitutes a waiver by Lessee of any argument that by accepting a late payment of rent, the Port has waived any default which is based

upon such late payment or has waived Lessee's continuing obligation to make such payments when and as required by the terms of this Lease.

ARTICLE IV. - LESSEE'S OTHER OBLIGATIONS

Section 4.1 - Construction of Improvements/Alterations: The Lessee shall make no construction, alteration, or changes on or to the Premises without prior written consent of the Port. At least thirty days prior to any approved construction, alteration, or changes upon the Premises or Improvements, Lessee shall submit to the Port architectural and mechanical final plans and specifications, site-use plan, and architectural rendering thereof and shall not commence any construction until it has received the Port's written approval. All plans for construction, alteration, or changes shall be signed by an architect or engineer licensed in the State of Oregon. Should the Port fail to take action concerning the plans and/or specifications submitted to it within forty-five days, said plans and/or specifications shall be deemed approved.

4.1.1 No such work shall be undertaken until Lessee has procured and paid for, so far as the same may be required from time to time, all municipal and other governmental permits and authorizations required with respect to the work. Procurement of such permits and authorizations shall be subsequent to lessee's obtaining Port approval pursuant to Section 4.1.

4.1.2 All work shall be performed in a good and workmanlike manner and, in the case of alterations or additions to existing Improvements, shall be of such quality and type that, when completed, the value and utility of the Improvements which were changed or altered shall be not less than the value and utility of such Improvements immediately before such change or alteration. All work shall be prosecuted with reasonable dispatch.

4.1.3 Thirty days after the completion of any work under this Section 4.1, Lessee shall deliver to the Port complete and fully detailed "AS-BUILT" drawings of the completed Improvements prepared by an architect licensed in the State of Oregon.

Section 4.2 - Maintenance: Except for the Port maintenance responsibilities provided in Section 5.1 herein, the Lessee shall keep and maintain the Premises and Improvements of any kind, which may be erected, installed, or made thereon by the Lessee or the Port, in good and substantial repair and condition and shall promptly make all necessary repairs thereto at Lessee's sole expense. Lessee shall be responsible at its own cost and expense for the maintenance of the interior of the Premises and Improvements including, but not limited to, water and sewer lines, plumbing fixtures, electric lines and fixtures, flooring, partitions, walls, and ceilings. Lessee shall also be responsible for maintenance of the exterior doors and windows. The Lessee shall provide at, the Lessee's expense, proper containers and removal service for trash and garbage and shall keep the Premises free and clear of rubbish, debris, and litter at all times.

Section 4.3 - Taxes: Unless exempt, the Lessee agrees to pay all lawful taxes and assessments which during the term hereof or any extension may become a lien or which may be levied by the state, county, city, or any other tax-levying body upon the Premises or Improvements, upon any taxable interest by Lessee acquired in this Lease, or any taxable possessory right which Lessee may have in or to the Premise or the Improvements thereon by reason of its occupancy thereof, as well as all taxes on all taxable property, real or personal, owned by the Lessee in or about said Premises. Upon making such payments, the Lessee shall give to the Port a copy of the receipts and vouchers showing such payment. The Lessee understands that Port property is exempt from property taxation until leased to a taxable entity. In the event the term of this Lease or any extension thereof shall end after June 30 of any year, the Lessee shall be responsible for payment of property taxes for the entire tax year without proration or, in the event of any change in property tax law, for any taxes due under such law.

Section 4.4 - Liens: The Lessee agrees to pay, when due, all sums of money that may become due for, any labor, services, materials, supplies, utilities, furnishings, machinery, or equipment which have been furnished or ordered with the Lessee's consent to be furnished to or for the Lessee in, upon, or about the Premises or Improvements, which may be secured by any mechanic's, materialsmen's, or other lien against the Premises or Improvements or the Port's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes

due, provided that the Lessee may in good faith contest any mechanic's or other liens filed or established, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest, provided that the Port may require the Lessee to procure a payment bond in the amount of the contested lien.

Section 4.5 - Utilities: The Lessee shall promptly pay any charges for telephone, and all other charges for utilities which may be furnished to the Premises or Improvements at the request of or for the benefit of Lessee, except for lighting, heating, natural gas, water, sanitary sewer, storm drainage, air conditioning, electricity, compressed air, and gas and oxygen which shall be provided by the Port. The applicable rates for the utilities provided by the Port are shown on Exhibit B, attached hereto. In no event shall the Lessee overload the electrical circuits from which the Lessee obtains current.

Section 4.6 - Advertisement Signs: Subject to the provisions hereof, the Lessee shall have the right to install or cause to be installed appropriate signs on the Premises to advertise the nature of its business. The cost for installation and operation of such signs shall be borne by the Lessee. The Lessee shall not erect, install, nor permit to be erected, installed or operated upon the Premises herein any sign or other advertising device without having first obtained the Port's written consent thereto as to size, construction, location, and general appearance and then all applicable governmental approvals. All such installations shall be in accordance with the Portland Ship Repair Yard Signing Standards as adopted by the Port from time to time.

Section 4.7 - Safety Requirements:

4.7.1 The Lessee shall conduct its operations, activities and duties under this Lease in a safe manner, and shall comply with all safety standards imposed by applicable federal, state and local laws and regulations. The Lessee shall require the observance of the foregoing by all subcontractors and all other persons transacting business with or for the Lessee in any way connected with the conduct of the Lessee pursuant to this Lease.

4.7.2 The Lessee shall exercise due and reasonable care and caution to prevent and control fire on the Premises and to that end shall provide and maintain such fire suppression and other fire protection equipment as may be required pursuant to applicable governmental laws, ordinances, statutes and codes for the purpose of protecting the Improvements adequately and restricting the spread of any fire from the Premises to any property adjacent to the Premises.

Section 4.8 - Access to Premises: Except as provided in Section

4.8.1, the Port shall at all times during ordinary business hours have the right to enter upon the Premises and Improvements for the purposes of: (1) inspecting the same; (2) confirming the performance by Lessee of its obligations under this Lease; (3) doing any other act which the Port may be obligated or have the right to perform under this Lease, or reasonably related thereto; and (4) for any other lawful purpose. Such inspections shall be made only at a mutually agreeable time to all parties except in cases of emergency or pursuant to Section 4.8.1.

4.8.1 Environmental Inspection: The Port reserves the right to inspect the Lessee's and Lessee's subtenants' management of Hazardous Substances, as defined in Section 6.3, on the Premises at any time and from time to time without notice to the Lessee or subtenant. If the Port at any time during the term of this Lease or any extension thereof has reason to believe that the Lessee or Lessee's subtenant(s) are managing Hazardous Substances in a manner that may allow contamination of any portion of the Premises, the Port may require the Lessee to furnish to the Port, at the Lessee's sole expense, an environmental audit or an environmental assessment with respect to the matters of concern to the Port. The Port shall have the right to approve the company or individual conducting said audit and the audit procedures and shall be given an original copy of the results. Lessee shall cooperate with all such requests.

Section 4.9 - Hazardous Substances Spills and Releases: Lessee shall immediately notify the Port upon becoming aware of: (1) any leak, spill, release or disposal of a Hazardous Substance, as defined in Section 6.3, on, under or adjacent to the Premises or threat of or reasonable suspicion of any of the same; and/or (2) any notice or communication from a governmental agency or any other person directed to the Lessee or any other person relating to such Hazardous Substances on, under, or adjacent to the Premises or any violation of any federal, state, or local laws, regulations, or ordinances with respect to the Premises or activities on the Premises.

4.9.1 In the event of a leak, spill or release of a Hazardous Substance on the Premises or the threat of or reasonable suspicion of the same, Lessee shall immediately undertake all emergency response necessary to contain, clean up and remove the Hazardous Substance and shall undertake within a reasonable time all investigatory, remedial and/or removal action necessary or appropriate to ensure that any contamination by the Hazardous Substances is eliminated. The Port shall have the right to approve all investigatory, remedial and removal procedures and the company(ies) and/or individual(s) conducting said procedures. Within 30 days following completion of such investigatory, remedial and/or removal action, Lessee shall provide the Port with a certification acceptable to the Port that all such contamination has been eliminated as required by federal, state, or local law or regulation.

ARTICLE V. - PORT OBLIGATIONS AND WARRANTIES

Section 5.1 - Maintenance: Except for Lessee's maintenance obligations as described in Section 4.2 and Lessee's obligations to repair damage caused by its activities on the Premises, the Port shall be responsible for maintenance of the exterior walls and roof areas of the Premises, and maintenance of the exterior utility systems to the service connection points inside the Premises. Any and all maintenance and repair work not specifically described herein as the responsibility of the Port shall be the responsibility of the Lessee.

Section 5.2 - Delivery:

5.2.1 Lessee shall have the right to possession of the Premises as of the date of the term hereof. Should the Port be unable to deliver possession of the Premises on the date fixed for commencement of the term, the Lessee shall owe no rent until notice from the Port tendering possession to the Lessee. The Port shall have no liability to the Lessee for delay in delivering possession, nor shall such delay extend the term of this Lease in any manner.

5.2.2 In the event the Port shall permit the Lessee to occupy the Premises prior to the occupancy date herein set forth, such occupancy shall be subject to all the provisions of this Lease.

Section 5.3 - Port's Warranty of Ownership: The Port warrants that it is the owner of the land and building and has the right to lease said Premises under the terms of this Lease. Subject to the Lessee performing all obligations of this Lease, the Lessee's possession of the Premises

will not be disturbed by the Port or anyone lawfully claiming by, through or under the Port and the Port will defend the Lessee's right to quiet enjoyment of the Premises from disturbance by anyone lawfully claiming by, through or under the Port.

Section 5.4 - Condition of Premises: The Port makes no warranties or representations regarding the condition or available lawful uses of the Premises. The Lessee has inspected and accepts the Premises in an "as is" condition upon taking possession, and the Port shall have no liability to the Lessee for any loss, damage, injury, or costs caused by the condition or available lawful uses of the Premises.

ARTICLE VI. - LIABILITY, INDEMNITY, INSURANCE, DAMAGE AND DESTRUCTION

Section 6.1 - Liability: The Port shall not be liable to the Lessee for damage to person or property resulting from the negligence of a co-tenant or anyone else other than the Port, or for any damage to person or property resulting from any condition of the Premises or other cause, including but not limited to damage by water, not resulting from the negligence of the Port. Lessee understands that the Premises are located within a ship repair yard where large vessels are repaired, sandblasted, and spray painted and such activities may create noise, odors, dusts, paint oversprays and sandblast grit. Lessee acknowledges these risks, assumes the risks for damages caused by such risks, and releases the Port from liability therefore.

Section 6.2 - General Indemnity: The Port shall not in any event be liable for any injury to any person or damage to any property occurring on or about the Premises, unless such injury or damage results from the wilful acts or gross negligence of the Port. Lessee covenants and agrees to indemnify and hold harmless the Port, its commissioners, directors, officers, agents, and employees from and against any and all actual or potential liability, claims, demands, damages, expenses, fees (including attorneys', accountants', and paralegal fees), fines, penalties, suits, proceedings, actions, and causes of action (collectively "costs") which may be imposed upon or incurred by the Port due to the acts or omissions of any person or entity whatsoever (excluding only the wilful acts or gross negligence of the Port), and which: (1) arise from or are in any way connected with Lessee's use, occupation, management or control of the Premises whether or not due to Lessee's wilful act or omission or gross negligence and whether or not occurring on the Premises; or (2) result from any breach, violation, or nonperformance by Lessee of any of its obligations under this Lease.

Section 6.3 - Hazardous Substances Indemnity: In addition to the indemnity provided in Section 6.2 above, the Lessee agrees to indemnify, save, and hold harmless the Port from and against all removal, remediation, containment and other costs caused by, arising out of, or in connection with, the handling, storage, discharge, transportation, or disposal of hazardous or toxic wastes or substances, pollutants, oils, materials, contaminants, or Regulated Substances (collectively "Hazardous Substances") as those terms are defined by federal, state, or local law or regulation, including but not limited to, the Resource Conservation

and Recovery Act (RCRA) (42 U.S.C. §6901 et. seq.); the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) (42 U.S.C. §9601, et. seq.); Superfund Amendment and Reauthorization Act of 1986 (SARA) (P.L. 99-499, October 17, 1986) as amended; the Toxic Substances Control Act (15 U.S.C. §2601, et. seq.); the Clean Water Act (33 U.S.C. §1251, et. seq.); the Clean Air Act (42 U.S.C. §7401, et. seq.); the Solid Waste Disposal Act (42 U.S.C. §3251, et. seq.); Marpol Regulations and all annexes thereto; 1985 Oregon Laws Chapter 733; and 1987 Oregon Laws Chapter 540, as the same may be amended from time to time, (collectively "Environmental Law"), which Hazardous Substances are on the Premises as a result of Lessee's acts or omissions, whether occurring prior to or during the term of this Lease. Such costs shall include but not be limited to: (a) claims of third parties, including governmental agencies, for damages, response costs, indolences or other relief; (b) the cost, expense or loss to the Port of any injunctive relief, including preliminary or temporary injunctive relief, applicable to the Port or the Premises; (c) the expense, including fees of attorneys, engineers, paralegals and experts, reporting the existence of said hazardous substances or contaminants to any agency of the State of Oregon or the United States as required by applicable laws or regulations; (d) any and all expenses or obligations, including attorneys' and paralegal fees, incurred at, before, and after any trial or appeal therefrom or any administrative proceeding or

appeal therefrom whether or not taxable as costs, including, without limitation, attorneys' and paralegal fees, witness fees (expert and otherwise), deposition costs, copying and telephone charges and other expenses, all of which shall be paid by Lessee promptly after the Port incurs the obligation to pay such amounts. Such damages, costs, liabilities and expenses shall include such as are claimed to be owed by any regulating and administering agency. As used in Article VI, the word "Premises" shall be deemed to include the soil and water table thereof.

6.3.1 Promptly upon written notice from the Port or from any governmental entity, the Lessee shall remove from the Premises (including without limitation the soil or water table thereof) all Hazardous Substances whether in existence prior to the commencement date of this Lease or thereafter and shall restore the Premises to clean, safe, good, and serviceable condition. Any such cleanup shall be in conformance with all applicable governmental rules and regulations.

Section 6.4 - Duty to Defend: Lessee shall, at its sole expense, defend any and all actions, suits, and proceedings relating to matters covered by the indemnity set forth in Sections 6.2 and 6.3 which may be brought against the Port or in which the Port may be impleaded, and shall satisfy, pay, and discharge any and all judgments, orders, and decrees that may be entered against the Port in any such action or proceeding.

Section 6.5 - Insurance:

6.5.1 The Lessee shall maintain an occurrence form commercial general and automobile liability insurance policy or policies including a fire legal liability endorsement for the protection of the Lessee and the Port, its commissioners, directors, officers, servants, and employees, insuring the Lessee and the Port against liability for damages because of personal injury, bodily injury, death, or damage to property, ~~including~~ ~~less of use thereof~~, and occurring on or in any way related to the Premises or occasioned by reason of the operations of the Lessee on or from the Premises with insurance limits of not less than ~~(\$5,000,000)~~ ^{\$1,000,000} combined single limit for bodily injury and property damage for Premises/products/completed operations liability.

6.5.2 Lessee shall maintain in force Workers' Compensation insurance, including coverage for Employer's Liability and, if applicable, The Longshoremen's and Haror Workers' Compensation Act.

6.5.3 All insurance shall name the Port, its commissioners, offices, and employees as additional insureds with the stipulation that this insurance, as to the interest of the Port only therein, shall not be invalidated by any act or neglect or breach of contract by the Lessee.

6.5.4 The Lessee shall furnish to the Port a certificate(s) of insurance evidencing the date, amount, and type of insurance that has been procured pursuant to this Lease. All policies of insurance shall remain in full force during the term hereof and shall provide for not less than 30 (thirty) days written notice to the Port and the Lessee before such policies may be revised, nonrenewed, or cancelled. Upon request, the Lessee shall provide the Port with a copy or copies of any insurance policy provided pursuant to this Lease.

6.5.5 The Port shall have the right to review the coverage and limits of insurance required herein from time to time. In the event the Port determines that such limits should be modified, the Port will provide 30 days notice to the Lessee of such determination and the Lessee shall, if the coverage is expanded and/or limits are increased, modify its coverage to comply with the new limits and provide the Port with an updated certificate.

Section 6.6 - Waiver of Subrogation: The Port and the Lessee agree that each forfeits any right of action that it may later acquire against the other of the parties to the Lease for loss or damage to its property, or to property in which it may have an interest, to the extent that such loss is covered by the provision of the Lessee's property damage policy or policies.

ARTICLE VII. - TERMINATION

Section 7.1 - Termination by the Port: The Port shall be entitled to terminate this Lease as provided herein and as otherwise provided by law.

Section 7.2 - Termination by Lessee: The Lessee shall be entitled to terminate this Lease as provided herein and as otherwise provided by law.

Section 7.3 - Duties on Termination: Upon termination of the Lease for any reason, the Lessee shall deliver all keys to the Port and

surrender the Premises and Improvements in good condition. Alterations including but not limited to electrical systems, constructed by the Lessee with permission from the Port shall not be removed, unless the terms of permission for the alteration so require, but shall be restored to the original condition. Depreciation and wear from ordinary use for the purpose for which the Premises were let need not be restored, but all repair for which the Lessee is responsible shall be completed to the latest practical date prior to such surrender.

Section 7.4 - Title to Improvements: Subject to the provisions of Section 7.5, upon termination of this Lease by the passage of time or for any reason, the Port shall have the option to either require removal of any or all Improvements constructed by the Lessee, pursuant to Section 4.1, within 90 days after the expiration of the Lease at the Lessee's expense or shall have the option to take title to any or all such structures, installations, and Improvements.

Section 7.5 - Fixtures:

7.5.1 Upon termination of this Lease for any reason, any or all fixtures placed upon the Premises during the Lease Term, or any extension thereof, other than the Lessee's trade fixtures, shall, at the Port's option, become the property of the Port. Movable furniture, decorations, floor covering (other than hard surface bonded or adhesively fixed flooring), curtains, blinds, furnishing and trade fixtures shall remain the property of the Lessee if placed on the Premises by the Lessee. At or

before the termination of this Lease, Lessee, at its expense, shall remove from the Premises any or all of Lessee's fixtures or personal property which the Port has required Lessee to remove under the terms of this Lease, and shall repair any damage to the Premises resulting from the installation or removal of such fixtures or personal property. Any items of Lessee's fixtures or personal property which remain on the Premises after the termination of this Lease in violation of this Section 7.5 may, at the option of the Port, be deemed abandoned. The Port shall have the option, in its sole discretion, of (a) retaining any or all of such abandoned property without any requirement to account to Lessee therefor, or (b) removing and disposing of any or all of such abandoned property and recovering the cost thereof, plus interest from the date of expenditure at the Port's then current interest rate, from Lessee upon demand.

7.5.2 The time for removal of any property or fixtures which the Lessee is required to remove from the Premises upon termination shall be as follows: (1) on or before the date the Lease terminates as provided herein; or (2) within 30 days after notice from the Port requiring such removal where the property to be removed is a fixture which the Lessee is not required to remove except after such notice by the Port, and such date would fall after the date on which the Lessee would be required to remove other property.

Section 7.6 - Environmental Audit: The Port may, at or near the expiration of this Lease by time or other termination require the Lessee to conduct, at its cost, an environmental audit of the Premises acceptable

to the Port to determine if any environmental contamination as defined by then-applicable Environmental Law exists on the Premises. The Port shall have the right to approve the audit procedures and the company or individual conducting said audit and shall be given an original copy of the results. Lessee shall provide to the Port a supplemental up-date report as of the last day of the Lease Term. The Lessee shall promptly remedy any contamination revealed by such audit in accordance with the then applicable Environmental Law prior to the expiration of the Lease Term. Lessee, upon termination of the Lease for any reason other than expiration of time, shall conduct the environmental audit as required by this Section. The Port, if necessary, will grant Lessee a Permit of Entry for such purpose. In the event the Lessee fails to promptly remedy the contamination, the Port shall have the right to remedy such contamination and charge the Lessee all such costs. The Lessee agrees to pay to Port such costs within 30 days after receipt of invoice from the Port, such right to be in addition to any other remedy available to the Port as provided herein, at law, or by equity.

7.6.1 If the Lessee does not conduct said audit as required herein, the Port may, at its sole option, complete said audit at the Lessee's expense. Until said audit and any remedial actions as required to restore the Premises to an acceptable condition are completed, the Lessee shall not be released from any liability for such costs.

ARTICLE VIII. - DEFAULT

Section 8.1 - Events of Default: The following shall be events of default:

8.1.1 Default in Rent: Failure of the Lessee to pay any rent or other charge as provided herein within 10 days after it is due.

8.1.2 Default in Other Covenants: Failure of the Lessee to comply with any term or condition or fulfill any obligation of the Lease (other than the payment of rent or other charges) within 30 days after written notice by the Port specifying the nature of the default with reasonable particularity. If the default is of such a nature that it cannot be completely remedied within the 30 day period, this provision shall be complied with if the Lessee begins correction of the default within the 30 day period and thereafter proceeds with reasonable diligence and in good faith to effect the remedy as soon as practicable.

8.1.3 Insolvency: To the extent permitted by the United States Bankruptcy Code, insolvency of the Lessee; an assignment by the Lessee for the benefit of creditors; the filing by the Lessee of a voluntary petition in bankruptcy; an adjudication that the Lessee is bankrupt or the appointment of a receiver of the properties of the Lessee and the receiver is not discharged within 30 days; the filing of an involuntary petition of bankruptcy and failure of the Lessee to secure a dismissal of the petition within 30 (thirty) days after filing; attachment of or the levying of execution on the leasehold interest and failure of the Lessee to secure discharge of the attachment or release of the levy of execution within 10 days.

8.1.4 Failure to Occupy: Failure of the Lessee for 30 days or more to occupy the Premises for one or more of the purposes permitted under this Lease unless such failure is excused under other provisions of this Lease.

Section 8.2 - Remedies on Default:

8.2.1 In the event of a default under the provisions of Section 8.1, the Port at its option may terminate the Lease and at any time may exercise any other remedies available under law or equity for such default. Any notice to terminate may be given before or within the grace period for default and may be included in a notice of failure of compliance. No termination of this Lease pursuant to this Section 8.2 shall relieve Lessee of its liabilities and obligations under this Lease, and any damages shall survive any such termination.

8.2.2 If Lessee fails to perform any of its obligations under this Lease, the Port, without waiving any other remedies for such failure, may (but shall not be obligated to) perform such obligation for the account and at the expense of the Lessee, without notice in a case of emergency, and in any other case if such failure continues for 15 days after written notice from the Port specifying the nature of the failure. As used herein, "emergency" shall mean any activity, cause or effect under the control or direction of the Lessee, its employees, agents, invitees, guests, or subcontractors involving the health, safety or general welfare of persons or property. The Port shall not be liable to Lessee for any claim for damage resulting from any such action by the Port. Lessee

agrees to reimburse the Port upon demand for any expenses incurred by Lessor pursuant to this Lease together with interest thereon from the date of payment at the Port's then current interest rate.

8.2.3 Suit(s) or action(s) for the recovery of the rents and other amounts and damages, or for the recovery of possession may be brought by landlord, from time to time, at landlord's election, and nothing in this Lease will be deemed to require landlord to await the date on which the Lease Term expires. Each right and remedy in this Lease will be cumulative and will be in addition to every other right or remedy in this Lease or existing at law or in equity or by statute or otherwise, including, without limitation, suits for injunctive relief and specific performance. The exercise or beginning of the exercise by landlord of any such rights or remedies will not preclude the simultaneous or later exercise by landlord of any other such rights or remedies. All such rights and remedies are nonexclusive.

ARTICLE IX. - GENERAL PROVISIONS

Section 9.1 - Assignment and Sublease:

9.1.1 This Lease is personal to the Lessor and the Lessee. Except as provided herein, no part of the Premises nor any interest in this Lease may be assigned, mortgaged, or subleased, nor may a right of use of any portion of the Premises be conveyed or conferred on any third person by any other means, without the prior written consent of the Port. Any assignment or attempted assignment without the Port's prior written

consent shall be void. This provision shall apply to all transfers by operation of law. If the Lessee is a corporation, this provision shall apply to any sale of a controlling interest in the stock of the corporation.

9.1.2 Consent in one instance shall not prevent this provision from applying to a subsequent instance.

9.1.3 Other than the subleases for which the Port has given written consent concurrently with this Lease, in determining whether to consent to sublease, the Port may consider any factor, including the following factors: financial ability; business experience; intended use.

Section 9.2 - Nonwaiver: Waiver by either party of strict performance of any provision of this Lease shall not be a waiver of or prejudice the party's right to require strict performance of the same provision in the future or of any other provision. All waivers shall be in writing. The Port's acceptance of a late payment of rent does not waive any preceding or subsequent default other than the failure to pay the particular sum accepted.

Section 9.3 - Attorney's Fees: If suit or action is instituted in connection with any controversy arising out of this Lease, the prevailing party shall be entitled to recover in addition to costs such sum as the court may adjudge reasonable as attorney fees, or in the event of appeal as allowed by the appellate court.

Section 9.4 - Law of Oregon: This Lease shall be governed by the laws of the State of Oregon. If a court of competent jurisdiction declares this Lease to be a public contract under ORS Chapter 279, then the parties agree that the contract provisions required by ORS Chapter 279 to be included in public contracts are hereby incorporated by reference and shall become a part of this Lease as if fully set forth herein.

Section 9.5 - Adherence to Law: The Lessee shall adhere to all applicable Federal, State, and local laws, rules, regulations, and ordinances, including but not limited to (1) laws governing its relationship with its employees, including but not limited to laws, rules, regulations, and policies concerning Worker's Compensation, and minimum and prevailing wage requirements; (2) laws, rules, regulations and policies relative to occupational safety and health, (3) all federal, state, regional and local laws, regulations and ordinances protecting the environment, and (4) all laws and regulations regarding the handling and disposal of Hazardous Substances.

9.5.1 Lessee shall not use or allow the use of the Premises or any part thereof for any unlawful purpose or in violation of any certificate of occupancy, any certificate of compliance, or of any other certificate, law, statute, ordinance, or regulation covering or affecting the use of the Premises or any part thereof. Lessee shall not permit any act to be done or any condition to exist on the Premises or any part thereof which may be hazardous, which may constitute a nuisance, or which may void or make voidable any policy of insurance in force with respect to the Premises.

9.5.2 The Lessee shall promptly provide to the Port copies of all notices or other communications between the Lessee and any governmental entity which relate to the Lessee's noncompliance or alleged noncompliance with any law, ordinance, regulation, condition, or other applicable requirement lawfully imposed by any agency, governmental body, or quasi-governmental body having jurisdiction over the Lessee's use of the Premises.

9.5.3 Lessee shall obtain, and promptly advise the Port of receipt of all federal, state, or local governmental approvals or permits required by law or regulation for any activity or construction that Lessee may undertake on the Premises. Lessee shall provide the Port with copies of all such approvals and permits received by Lessee.

Section 9.6 - Time of Essence: Time is of the essence of each and every covenant and condition of this Lease.

Section 9.7 - Warranty of Authority: The individuals executing this agreement warrant that they have full authority to execute this Lease on behalf of the entity for whom they are acting herein.

Section 9.8 - Headings: The article and section headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provisions of this Lease.

Section 9.10 - Consent of Port:

9.9.1 Subject to the provisions of Section 9.1, whenever consent, approval or direction by the Port is required under the terms contained herein, all such consent, approval, or direction shall be received in writing from an authorized representative of The Port of Portland.

9.9.2 If Lessee requests the Port's consent or approval pursuant to any provision of the Lease and the Port fails or refuses to give such consent, Lessee shall not be entitled to any damages as a result of such failure or refusal, whether or not unreasonable, it being intended the Lessee's sole remedy shall be an action for specific performance or injunction, and that such remedy shall be available only in those cases in which the Port has in fact acted unreasonably and has expressly agreed in writing not unreasonably to withhold its consent or may not unreasonably withhold its consent as a matter of law.

Section 9.10 - Notices: All notices required under this Lease shall be deemed to be properly served if served personally or sent by certified mail to the last address previously furnished by the parties hereto. Until hereafter changed by the parties by notice in writing, notices shall be sent to the Port at The Port of Portland, Post Office Box 3529, Portland, Oregon 97208, or served personally at 5555 N. Channel Ave., Bldg. 50, Portland, Oregon, 97217, and to the Lessee at E. J. Bartells, 700 Powell Avenue, S.W. Renton, WA 98055. Date of Service of such notice is date such notice is personally served or deposited in a post office of the United States Post Office Department, postage prepaid.

Section 9.11 - Modification: Any modification of the Lease shall be mutually agreed upon and reduced to writing and shall not be effective until signed by the parties hereto.

Section 9.12 - No Benefit to Third Parties: The Port and the Lessee are the only parties to this Lease and as such are the only parties entitled to enforce its terms. Nothing in this Lease gives or shall be construed to give or provide any benefit, direct, indirect, or otherwise to third parties unless third persons are expressly described as intended to be beneficiaries of its terms.

Section 9.13 - Admittance: The Port shall not be liable for the consequences of admitting by pass-key or refusing to admit to said Premises the Lessee or any of the Lessee's agents or employees or other persons claiming the right of admittance.

Section 9.14 - Regulations: The Port may, from time to time, adopt and enforce rules and regulations with respect to the use of said Premises, and Lessee agrees to observe and obey such rules and regulations.

Section 9.15 - Partial Invalidity: If any provision of this Lease or the application thereof to any person or circumstance is at any time or to any extent, held to be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not

be affected thereby, and each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 9.16 - Survival: All agreements (including, but not limited to, indemnification agreements) set forth in this Lease, the full performance of which are not required prior to the expiration or earlier termination of this Lease, shall survive the expiration or earlier termination of this Lease and be fully enforceable thereafter.

Section 9.17 - Entire Agreement: It is understood and agreed that this instrument contains the entire Agreement between the parties hereto. It is further understood and agreed by the Lessee that the Port and the Port's agents have made no representations or promises with respect to this Agreement or the making or entry into this Agreement, except as in this Agreement expressly set forth, and that no claim or liability or cause for termination shall be asserted by the lessee against the Port for, and the Port shall not be liable by reason of, the breach of any representations or promises not expressly stated in this Agreement, any other oral agreement with the Port being expressly waived by the Lessee.

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IN WITNESS WHEREOF, the parties hereto have subscribed their names.

LESSEE

By Eul Afee
12-28-90

By _____

THE PORT OF PORTLAND

By [Signature]
EXECUTIVE DIRECTOR

By _____

APPROVED AS TO LEGAL SUFFICIENCY

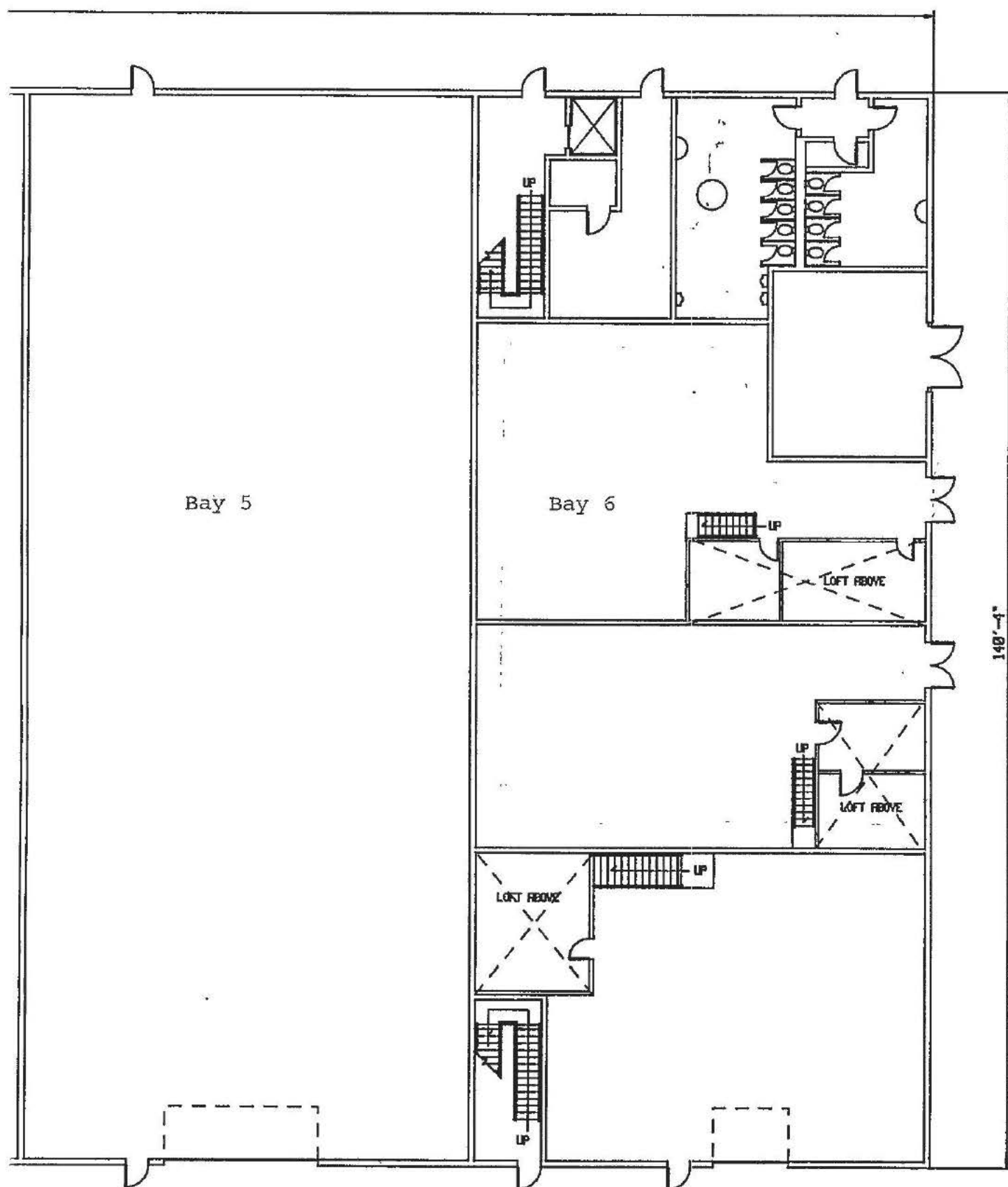
[Signature]
Counsel for The Port of Portland

Bartells
11/27/90

Bartells

34

PSY100001532



Portland Ship Repair Yard
Building 72

EXHIBIT B

FOR UTILITY SERVICES BUILDING AREAS

This disclosure statement is part of the lease dated Dec 28, 1990, 1991, between the PORT OF PORTLAND and THE E. J. BARTELLS CO. for the rental of the improved space identified in Attachment A. For the authorized purpose of the above lease, the following utilities shall be provided at the stated rates subject to change upon thirty days written notice by the Port.

Space	Sq. Ft.	Rate	Monthly Amount	Utilities Provided
Bldg 72 Shop	3800	\$.05/SF	\$190.00	Electricity, Compressed Air, and Water

Telephone service, refuse collection, and janitorial services are the responsibility of the Lessee.

ACKNOWLEDGED: E. J. Bartells 12-28-90
Lessee's signature Date

MONTH-TO-MONTH

LEASE OF IMPROVED SPACE BETWEEN

THE PORT OF PORTLAND

AND

NORTHWEST MARINE, INC.

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MONTH-TO-MONTH
LEASE OF IMPROVED SPACE

THIS LEASE, dated this 12th day of September, 1990, is entered into by and between THE PORT OF PORTLAND, a port district of the State of Oregon (hereinafter referred to as "Port"), and NORTHWEST MARINE, INC., a corporation organized under the laws of the State of Oregon (hereinafter referred to as "Lessee"), for lease of certain described Premises located at the Portland Ship Repair Yard, Swan Island ("PSRY").

RECITALS

WHEREAS, the Port desires to lease certain land and/or improvements located at Portland Ship Repair Yard to Lessee, said land and/or improvements being more particularly described below; and

WHEREAS, Lessee is desirous of leasing said land and/or improvements;

NOW, THEREFORE, in consideration of the above declarations, the parties have negotiated the following terms and conditions:

ARTICLE I. - AGREEMENT TO LEASE, DESCRIPTION OF PREMISES

Section 1.1 - Agreement to Lease: The Port hereby leases to Lessee, and Lessee leases from the Port on the terms and conditions stated herein, the Premises consisting of 4800 square feet of shop space located in the

southwest corner of Building 10 shown on Exhibit No. A, attached hereto and made a part hereof, and any existing Improvements thereon, and appurtenances thereto, (hereinafter referred to as "Premises"). Upon construction or installation of any Improvements, additions, or changes to Improvements in, under, or upon the Premises (collectively "Improvements"), such Improvement(s) shall become a part of the Premises unless otherwise stated herein.

Section 1.2 - Use of Premises:

1.2.1 Lessee may use the Premises only for the following purpose(s): Warehousing and storage of ship's equipment for the USS WILLIAM H. STANDLEY and minor repair work to ship's equipment. No sandblasting or spray painting shall be permitted on the Premises, nor shall paint, thinners or solvents be stored on the Premises.

1.2.2 No other use may be made of the Premises without the written approval of the Port. Except as a necessary and incidental use in conjunction with the use authorized for the Premises pursuant to Section 1.2.1 above, without limiting the foregoing restriction on use, no use may be made of, on, or from the Premises relating to the handling, storage, disposal, transportation, or discharge of Hazardous Substances as defined in Section 6.3 hereof. Under no circumstances shall any use be made of, or conduct occur on, the Premises which would cause the Premises, or any part thereof, to be deemed a hazardous waste treatment, storage, or disposal facility requiring a permit, interim status, or any other special authorization under any Environmental Law as defined in Section 6.3 hereof.

1.2.3 The Port shall have the option, but shall not be required to, request the Lessee to provide the Port with a list of all materials and activities which are or foreseeably will occur on the Premises which might constitute an environmental liability. Under no circumstances shall the Port be liable for failure to request or update said list.

1.2.4 In no event shall Lessee store, handle, transport, dispose, or treat any Hazardous Substances on the Premise which are generated by or from cleanup, removal, remediation, operations or activities from third party sources outside PSRY.

1.2.5 In no event shall the Lessee ever permanently or temporarily store the following product categories without the Port's prior written approval, except as specifically authorized by federal, state, or local Environmental Law or regulation:

1. PCBs, PCB contaminated materials, and spill residues containing PCBs.
2. Asbestos, asbestos-contaminated materials, and spill residues containing asbestos.
3. Radioactive materials (as defined by state, federal, and local regulations including but not limited to United States Department of Transportation (US D.O.T.) classifications, and restrictions as defined in OAR Chapter 333, Division 100-005 (51) or as defined by Oregon Health Division.

4. Explosive materials and flammable solids (US D.O.T. Classification).
5. Poison Gasses (Poison A, US D.O.T. classification).
6. Reactive materials (Defined by RCRA characteristic or reactivity).
7. Medical, biological, or infectious waste.

1.2.6 Lessee shall at all times exercise due care in connection with the handling of Hazardous Substances on the Premises and shall not cause or permit Hazardous Substances to be spilled, leaked, disposed of, treated, or otherwise released on the Premises.

1.2.7 Before commencing the use, generation, accumulation, storage, treatment, or other handling of Hazardous Substances on the Premises, Lessee shall provide the Port with copies of all necessary permits, authorizations and notices required by any Environmental Law as described in Section 6.3 herein, with respect to such activities. Lessee shall at all times comply with all Environmental Laws as defined in Section 6.3 herein, applicable to the Premises or to the Lessee's activities on the Premises.

1.2.8 The Lessee shall not in any manner deface or injure the Premises or any portion thereof; or overload the floors; or permit anything to be done upon the Premises which would cause an increase in the Fire Insurance rating to the Building; or commit any nuisance in or about the Premises; or to use or permit the use of the Premises for lodging or sleeping purposes.

Section 3.1 - Appurtenant Rights:

1.3.1 Lessee, its customers, agents, representatives, suppliers, and invitees and subcontractors authorized to be operating in the yard shall have the nonexclusive right to use the Common Areas, such right to be in common with others to whom the Port has granted or may grant such similar right. The term "Common Areas," as used herein, shall mean the roadways, pedestrian walkways, alleyways, driveways, delivery areas, trash removal areas, equipment and material storage areas, and any other areas where such areas have been designated by the Port as areas to be used by tenants of the Port or those having use agreements in common with other tenants and users of the Port.

1.3.2 The Port reserves the following rights with respect to the Common Areas:

1.3.2.1 To establish reasonable rules and regulations for the use of said Common Areas;

1.3.2.2 To use or permit the use of such Common Areas by others to whom the Port may grant or may have granted such rights in such manner as the Port may from time to time so grant;

1.3.2.3 To close all or any portion of the Common Areas to make repairs or changes, to prevent a dedication of the Common Areas or the accrual of any rights to any person or the public, or to discourage unpermitted use of the Common Areas;

1.3.2.4 To construct additional buildings to alter or remove buildings or other improvements in the Common Areas and to change the layout of such common Areas, including the right to add to or subtract from their shape and size;

1.3.2.5 To exercise any of the Port's governmental powers over the Common Areas.

ARTICLE II. - TERM

Section 2.1 - Term: This Lease shall commence on September 1, 1990, and continue month to month until terminated by either party upon thirty days' written notice or otherwise terminated under the provisions hereof.

ARTICLE III. - RENTAL

Section 3.1 - Basic Rent: The Lessee shall pay, in advance, to the Port as rent the sum of \$1680 per month, in advance based upon the

following: 4800 square feet at \$0.35 per square foot per month plus monthly utility charges as shown on Exhibit B.

Section 3.2 - Time and Place of Payments: Payments are due on the first day of each month and delinquent if not paid by the (10th) day of each month. In the event the Lease commences after the first day of a month, the Basic Rent for the first month shall be prorated based on the number of days in the first partial calendar month.

3.2.1 Payment shall be to the Port at The Port of Portland, Post Office Box 5095, Portland, Oregon 97208, or such other place as the Port may designate. All amounts not paid by the Lessee when due shall bear a delinquency charge at the rate of 18% per annum. The delinquency charge on overdue accounts is subject to periodic adjustment to reflect the Port's then current charge for overdue accounts.

Section 3.3 - Acceptance of Late Rent: The Port shall be entitled, at its sole and complete discretion, to either accept or reject a tender payment of Basic Rent or Additional Rent which is not paid when due. In the event the Port elects to accept a tender of payment of rent after the time when such payment was due, the Port may do so without thereby waiving any default based upon the failure of Lessee to make such payment when due and without waiving Lessee's continuing obligation to make such payments

when required under the terms of this Lease. Lessee hereby acknowledges that this constitutes a waiver by Lessee of any argument that by accepting a late payment of rent, the Port has waived any default which is based upon such late payment or has waived Lessee's continuing obligation to make such payments when and as required by the terms of this Lease.

ARTICLE IV. - LESSEE'S OTHER OBLIGATIONS

Section 4.1 - Construction of Improvements/Alterations: The Lessee shall make no construction, alteration, or changes on or to the Premises without prior written consent of the Port. At least thirty days prior to any approved construction, alteration, or changes upon the Premises or Improvements, Lessee shall submit to the Port architectural and mechanical final plans and specifications, site-use plan, and architectural rendering thereof and shall not commence any construction until it has received the Port's written approval. All plans for construction, alteration, or changes shall be signed by an architect or engineer licensed in the State of Oregon. Should the Port fail to take action concerning the plans and/or specifications submitted to it within forty-five days, said plans and/or specifications shall be deemed approved.

4.1.1 No such work shall be undertaken until Lessee has procured and paid for, so far as the same may be required from time to time, all municipal and other governmental permits and authorizations required with respect to the work. Procurement of such permits and authorizations shall be subsequent to lessee's obtaining Port approval pursuant to Section 4.1.

4.1.2 All work shall be performed in a good and workmanlike manner and, in the case of alterations or additions to existing Improvements, shall be of such quality and type that, when completed, the value and utility of the Improvements which were changed or altered shall be not less than the value and utility of such Improvements immediately before such change or alteration. All work shall be prosecuted with reasonable dispatch.

4.1.3 Thirty days after the completion of any work under this Section 4.1, Lessee shall deliver to the Port complete and fully detailed "AS-BUILT" drawings of the completed Improvements prepared by an architect licensed in the State of Oregon.

Section 4.2 - Maintenance: Except for the Port maintenance responsibilities provided in Section 5.1 herein, the Lessee shall keep and maintain the Premises and Improvements of any kind, which may be erected, installed, or made thereon by the Lessee or the Port, in good and substantial repair and condition and shall promptly make all necessary repairs thereto at Lessee's sole expense. Lessee shall be responsible at its own cost and expense for the maintenance of the interior of the Premises and Improvements including, but not limited to, water and sewer lines, plumbing fixtures, electric lines and fixtures, flooring, partitions, walls, and ceilings. Lessee shall also be responsible for maintenance of the exterior doors and windows. The Lessee shall provide at, the Lessee's expense, proper containers and removal service for trash and garbage and shall keep the Premises free and clear of rubbish, debris, and litter at all times.

Section 4.3 - Taxes: Unless exempt, the Lessee agrees to pay all lawful taxes and assessments which during the term hereof or any extension may become a lien or which may be levied by the state, county, city, or any other tax-levying body upon the Premises or Improvements, upon any taxable interest by Lessee acquired in this Lease, or any taxable possessory right which Lessee may have in or to the Premise or the Improvements thereon by reason of its occupancy thereof, as well as all taxes on all taxable property, real or personal, owned by the Lessee in or about said Premises. Upon making such payments, the Lessee shall give to the Port a copy of the receipts and vouchers showing such payment. The Lessee understands that Port property is exempt from property taxation until leased to a taxable entity. In the event the term of this Lease or any extension thereof shall end after June 30 of any year, the Lessee shall be responsible for payment of property taxes for the entire tax year without proration or, in the event of any change in property tax law, for any taxes due under such law.

Section 4.4 - Liens: The Lessee agrees to pay, when due, all sums of money that may become due for, any labor, services, materials, supplies, utilities, furnishings, machinery, or equipment which have been furnished or ordered with the Lessee's consent to be furnished to or for the Lessee in, upon, or about the Premises or Improvements, which may be secured by any mechanic's, materialsmen's, or other lien against the Premises or Improvements or the Port's interest therein, and will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes

due, provided that the Lessee may in good faith contest any mechanic's or other liens filed or established, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest, provided that the Port may require the Lessee to procure a payment bond in the amount of the contested lien.

Section 4.5 - Utilities: The Lessee shall promptly pay any charges for telephone, and all other charges for utilities which may be furnished to the Premises or Improvements at the request of or for the benefit of Lessee, except for lighting, gas heat, water, sanitary sewer, and electricity, which shall be provided by the Port. The applicable rates for the utilities provided by the Port are shown on Exhibit B, attached hereto. In no event shall the Lessee overload the electrical circuits from which the Lessee obtains current.

Section 4.6 - Advertisement Signs: Subject to the provisions hereof, the Lessee shall have the right to install or cause to be installed appropriate signs on the Premises to advertise the nature of its business. The cost for installation and operation of such signs shall be borne by the Lessee. The Lessee shall not erect, install, nor permit to be erected, installed or operated upon the Premises herein any sign or other advertising device without having first obtained the Port's written consent thereto as to size, construction, location, and general appearance and then all applicable governmental approvals. All such installations shall be in accordance with the Portland Ship Repair Yard Signing Standards as adopted by the Port from time to time.

Section 4.7 - Safety Requirements:

4.7.1 The Lessee shall conduct its operations, activities and duties under this Lease in a safe manner, and shall comply with all safety standards imposed by applicable federal, state and local laws and regulations. The Lessee shall require the observance of the foregoing by all subcontractors and all other persons transacting business with or for the Lessee in any way connected with the conduct of the Lessee pursuant to this Lease.

4.7.2 The Lessee shall exercise due and reasonable care and caution to prevent and control fire on the Premises and to that end shall provide and maintain such fire suppression and other fire protection equipment as may be required pursuant to applicable governmental laws, ordinances, statutes and codes for the purpose of protecting the Improvements adequately and restricting the spread of any fire from the Premises to any property adjacent to the Premises.

Section 4.8 - Access to Premises: Except as provided in Section

4.8.1, the Port shall at all times during ordinary business hours have the right to enter upon the Premises and Improvements for the purposes of: (1) inspecting the same; (2) confirming the performance by Lessee of its obligations under this Lease; (3) doing any other act which the Port may be obligated or have the right to perform under this Lease, or reasonably related thereto; and (4) for any other lawful purpose. Such inspections shall be made only at a mutually agreeable time to all parties except in cases of emergency or pursuant to Section 4.8.1.

4.8.1 Environmental Inspection: The Port reserves the right to inspect the Lessee's and Lessee's subtenants' management of Hazardous Substances, as defined in Section 6.3, on the Premises at any time and from time to time without notice to the Lessee or subtenant. If the Port at any time during the term of this Lease or any extension thereof has reason to believe that the Lessee or Lessee's subtenant(s) are managing Hazardous Substances in a manner that may allow contamination of any portion of the Premises, the Port may require the Lessee to furnish to the Port, at the Lessee's sole expense, an environmental audit or an environmental assessment with respect to the matters of concern to the Port. The Port shall have the right to approve the company or individual conducting said audit and the audit procedures and shall be given an original copy of the results. Lessee shall cooperate with all such requests.

Section 4.9 - Hazardous Substances Spills and Releases: Lessee shall immediately notify the Port upon becoming aware of: (1) any leak, spill, release or disposal of a Hazardous Substance, as defined in Section 6.3, on, under or adjacent to the Premises or threat of or reasonable suspicion of any of the same; and/or (2) any notice or communication from a governmental agency or any other person directed to the Lessee or any other person relating to such Hazardous Substances on, under, or adjacent to the Premises or any violation of any federal, state, or local laws, regulations, or ordinances with respect to the Premises or activities on the Premises.

4.9.1 In the event of a leak, spill or release of a Hazardous Substance on the Premises or the threat of or reasonable suspicion of the same, Lessee shall immediately undertake all emergency response necessary to contain, clean up and remove the Hazardous Substance and shall undertake within a reasonable time all investigatory, remedial and/or removal action necessary or appropriate to ensure that any contamination by the Hazardous Substances is eliminated. The Port shall have the right to approve all investigatory, remedial and removal procedures and the company(ies) and/or individual(s) conducting said procedures. Within 30 days following completion of such investigatory, remedial and/or removal action, Lessee shall provide the Port with a certification acceptable to the Port that all such contamination has been eliminated as required by federal, state, or local law or regulation.

ARTICLE V. - PORT OBLIGATIONS AND WARRANTIES

Section 5.1 - Maintenance: Except for Lessee's maintenance obligations as described in Section 4.2 and Lessee's obligations to repair damage caused by its activities on the Premises, the Port shall be responsible for maintenance of the exterior walls and roof areas of the Premises, and maintenance of the exterior utility systems to the service connection points inside the Premises. Any and all maintenance and repair work not specifically described herein as the responsibility of the Port shall be the responsibility of the Lessee.

Section 5.2 - Delivery:

5.2.1 Lessee shall have the right to possession of the Premises as of the date of the term hereof. Should the Port be unable to deliver possession of the Premises on the date fixed for commencement of the term, the Lessee shall owe no rent until notice from the Port tendering possession to the Lessee. The Port shall have no liability to the Lessee for delay in delivering possession, nor shall such delay extend the term of this Lease in any manner.

5.2.2 In the event the Port shall permit the Lessee to occupy the Premises prior to the occupancy date herein set forth, such occupancy shall be subject to all the provisions of this Lease.

Section 5.3 - Port's Warranty of Ownership: The Port warrants that it is the owner of the land and building and has the right to lease said Premises under the terms of this Lease. Subject to the Lessee performing all obligations of this Lease, the Lessee's possession of the Premises

will not be disturbed by the Port or anyone lawfully claiming by, through or under the Port and the Port will defend the Lessee's right to quiet enjoyment of the Premises from disturbance by anyone lawfully claiming by, through or under the Port.

Section 5.4 - Condition of Premises: The Port makes no warranties or representations regarding the condition or available lawful uses of the Premises. The Lessee has inspected and accepts the Premises in an "as is" condition upon taking possession, and the Port shall have no liability to the Lessee for any loss, damage, injury, or costs caused by the condition or available lawful uses of the Premises.

ARTICLE VI. - LIABILITY, INDEMNITY, INSURANCE, DAMAGE AND DESTRUCTION

Section 6.1 - Liability: The Port shall not be liable to the Lessee for damage to person or property resulting from the negligence of a co-tenant or anyone else other than the Port, or for any damage to person or property resulting from any condition of the Premises or other cause, including but not limited to damage by water, not resulting from the negligence of the Port. Lessee understands that the Premises are located within a ship repair yard where large vessels are repaired, sandblasted, and spray painted and such activities may create noise, odors, dusts, paint oversprays and sandblast grit. Lessee acknowledges these risks, assumes the risks for damages caused by such risks, and releases the Port from liability therefore.

Section 6.2 - General Indemnity: The Port shall not in any event be liable for any injury to any person or damage to any property occurring on or about the Premises, unless such injury or damage results from the wilful acts or gross negligence of the Port. Lessee covenants and agrees to indemnify and hold harmless the Port, its commissioners, directors, officers, agents, and employees from and against any and all actual or potential liability, claims, demands, damages, expenses, fees (including attorneys', accountants', and paralegal fees), fines, penalties, suits, proceedings, actions, and causes of action (collectively "costs") which may be imposed upon or incurred by the Port due to the acts or omissions of any person or entity whatsoever (excluding only the wilful acts or gross negligence of the Port), and which: (1) arise from or are in any way connected with Lessee's use, occupation, management or control of the Premises whether or not due to Lessee's wilful act or omission or gross negligence and whether or not occurring on the Premises; or (2) result from any breach, violation, or nonperformance by Lessee of any of its obligations under this Lease.

Section 6.3 - Hazardous Substances Indemnity: In addition to the indemnity provided in Section 6.2 above, the Lessee agrees to indemnify, save, and hold harmless the Port from and against all removal, remediation, containment and other costs caused by, arising out of, or in connection with, the handling, storage, discharge, transportation, or disposal of hazardous or toxic wastes or substances, pollutants, oils, materials, contaminants, or Regulated Substances (collectively "Hazardous Substances") as those terms are defined by federal, state, or local law or regulation, including but not limited to, the Resource Conservation

and Recovery Act (RCRA) (42 U.S.C. §6901 et. seq.); the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) (42 U.S.C. §9601, et. seq.); Superfund Amendment and Reauthorization Act of 1986 (SARA) (P.L. 99-499, October 17, 1986) as amended; the Toxic Substances Control Act (15 U.S.C. §2601, et. seq.); the Clean Water Act (33 U.S.C. §1251, et. seq.); the Clean Air Act (42 U.S.C. §7401, et. seq.); the Solid Waste Disposal Act (42 U.S.C. §3251, et. seq.); Marpol Regulations and all annexes thereto; 1985 Oregon Laws Chapter 733; and 1987 Oregon Laws Chapter 540, as the same may be amended from time to time, (collectively "Environmental Law"), which Hazardous Substances are on the Premises as a result of Lessee's acts or omissions, whether occurring prior to or during the term of this Lease. Such costs shall include but not be limited to: (a) claims of third parties, including governmental agencies, for damages, response costs, indemnities or other relief; (b) the cost, expense or loss to the Port of any injunctive relief, including preliminary or temporary injunctive relief, applicable to the Port or the Premises; (c) the expense, including fees of attorneys, engineers, paralegals and experts, reporting the existence of said hazardous substances or contaminants to any agency of the State of Oregon or the United States as required by applicable laws or regulations; (d) any and all expenses or obligations, including attorneys' and paralegal fees, incurred at, before, and after any trial or appeal therefrom or any

administrative proceeding or appeal therefrom whether or not taxable as costs, including, without limitation, attorneys' and paralegal fees, witness fees (expert and otherwise), deposition costs, copying and telephone charges and other expenses, all of which shall be paid by Lessee promptly after the Port incurs the obligation to pay such amounts. Such damages, costs, liabilities and expenses shall include such as are claimed to be owed by any regulating and administering agency. As used in Article VI, the word "Premises" shall be deemed to include the soil and water table thereof.

6.3.1 Promptly upon written notice from the Port or from any governmental entity, the Lessee shall remove from the Premises (including without limitation the soil or water table thereof) all Hazardous Substances whether in existence prior to the commencement date of this Lease or thereafter and shall restore the Premises to clean, safe, good, and serviceable condition. Any such cleanup shall be in conformance with all applicable governmental rules and regulations.

Section 6.4 - Duty to Defend: Lessee shall, at its sole expense, defend any and all actions, suits, and proceedings relating to matters covered by the indemnity set forth in Sections 6.2 and 6.3 which may be brought against the Port or in which the Port may be impleaded, and shall satisfy, pay, and discharge any and all judgments, orders, and decrees that may be entered against the Port in any such action or proceeding.

Section 6.5 - Insurance:

6.5.1 The Lessee shall maintain an occurrence form commercial general and automobile liability insurance policy or policies including a fire legal liability endorsement for the protection of the Lessee and the Port, its commissioners, directors, officers, servants, and employees, insuring the Lessee and the Port against liability for damages because of personal injury, bodily injury, death, or damage to property, including loss of use thereof, and occurring on or in any way related to the Premises or occasioned by reason of the operations of the Lessee on or from the Premises with insurance limits of not less than (\$1,000,000) combined single limit for bodily injury and property damage for Premises/products/completed operations liability.

6.5.2 Lessee shall maintain in force Workers' Compensation insurance, including coverage for Employer's Liability and, if applicable, The Longshoremen's and Haror Workers' Compensation Act.

6.5.3 All insurance shall name the Port, its commissioners, offices, and employees as additional insureds with the stipulation that this insurance, as to the interest of the Port only therein, shall not be invalidated by any act or neglect or breach of contract by the Lessee.

6.5.4 The Lessee shall furnish to the Port a certificate(s) of insurance evidencing the date, amount, and type of insurance that has been procured pursuant to this Lease. All policies of insurance shall remain in full force during the term hereof and shall provide for not less than 30 (thirty) days written notice to the Port and the Lessee before such policies may be revised, nonrenewed, or cancelled. Upon request, the Lessee shall provide the Port with a copy or copies of any insurance policy provided pursuant to this Lease.